NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

Congressional Information Service, Inc.
Washington, D.C.

CIS

OVERSIGHT OF THE COMPREHENSIVE EMPLOYMENT AND TRAINING PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON INVESTIGATIONS AND GENERAL OVERSIGHT

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

OVERSIGHT ON THE PROBLEMS INVOLVING ABUSE, MISMANAGEMENT, MISUSE OF FUNDS, AND THE APPEARANCE OF CONFLICT OF INTEREST

AUGUST 7, 1981
ORLANDO, FLA.

Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE
84-241 O WASHINGTON : 1981

S541-15

COMMITTEE ON LABOR AND HUMAN RESOURCES

ORRIN G. HATCH, Utah, *Chairman*

ROBERT T. STAFFORD, Vermont
DAN QUAYLE, Indiana
PAULA HAWKINS, Florida
DON NICKLES, Oklahoma
LOWELL P. WEICKER, JR., Connecticut
GORDON J. HUMPHREY, New Hampshire
JEREMIAH DENTON, Alabama
JOHN P. EAST, North Carolina

EDWARD M. KENNEDY, Massachusetts
JENNINGS RANDOLPH, West Virginia
HARRISON A. WILLIAMS, JR., New Jersey
CLAIBORNE PELL, Rhode Island
THOMAS F. EAGLETON, Missouri
DONALD W. RIEGLE, JR., Michigan
HOWARD M. METZENBAUM, Ohio

ROBERT P. HUNTER, *Chief Counsel*
RENN M. PATCH, *Staff Director and General Counsel*
LAWRENCE C. HOROWITZ, M.D., *Minority Staff Director*

SUBCOMMITTEE ON INVESTIGATIONS AND GENERAL OVERSIGHT

PAULA HAWKINS, Florida, *Chairman*

GORDON J. HUMPHREY, New Hampshire
ORRIN G. HATCH, Utah
(Ex Officio)

EDWARD M. KENNEDY, Massachusetts

JAY C. HOWELL, *Counsel*
WALTER SHERIDAN, *Minority Professional Staff Member*

CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

FRIDAY, AUGUST 7, 1981

ORLANDO, FLA.

Page

Bedwell, Dana C., special agent, Office of the Inspector General, U.S. Department of Labor, Miami; Robert Jackson, audit manager, Alexander Grant and Co., St. Petersburg; Charles McClellan, senior public auditor, Office of the Auditor General, Tallahassee; Lanny D. Larson, inspector general, Florida Department of Labor and Employment Security, Tallahassee, a panel 4

Payne, James, Associate Regional Administrator, U.S. Department of Labor, Atlanta, Ga.; William J. Day, Jr., Regional Director of youth programs, U.S. Department of the Interior, Atlanta, Ga., a panel 37

Campora, Steven H., assistant secretary, Florida Department of Labor and Employment Security, Tallahassee, Fla.; and Hon. Wallace E. Orr, secretary, Florida Department of Labor and Employment Security, Tallahassee, Fla.; accompanied by Charles R. Russell, director of employment training, State of Florida, Tallahassee, Fla., a panel 42

Parilla, Ralph M., personnel director, Motorola Inc., Fort Lauderdale, Fla., and chairman of Private Industry Council in Broward County; and Lawrence Weatherford, Regional Administrator, U.S. Department of Labor, Atlanta, Ga., a panel 91

STATEMENTS

Angrisani, Albert, Assistant Secretary of Labor for Employment and Training, Lawrence E. Weatherford, Regional Administrator for Employment and Training, on behalf of, prepared statement 95

Bedwell, Dana C., special agent, Office of the Inspector General, U.S. Department of Labor, Miami; Robert Jackson, audit manager, Alexander Grant and Co., St. Petersburg; Charles McClellan, senior public auditor, Office of the Auditor General, Tallahassee; Lanny D. Larson, inspector general, Florida Department of Labor and Employment Security, Tallahassee, a panel 4

Campora, Steven H., assistant secretary, Florida Department of Labor and Employment Security, Tallahassee, Fla.; and Hon. Wallace E. Orr, secretary, Florida Department of Labor and Employment Security, Tallahassee, Fla.; accompanied by Charles R. Russell, director of employment training, State of Florida, Tallahassee, Fla., a panel 42

Chappell, Tom, personnel director, First Federal Savings & Loan Association, Lake Worth, Fla., prepared statement 115

McTier, Wilbert, metropolitan area manager, State of Florida, division of employment security, prepared statement 111

Parilla, Ralph M., personnel director, Motorola Inc., Fort Lauderdale, Fla., and chairman of Private Industry Council in Broward County; and Lawrence Weatherford, Regional Administrator, U.S. Department of Labor, Atlanta, Ga., a panel 91

Payne, James, Associate Regional Administrator, U.S. Department of Labor, Atlanta, Ga.; William J. Day, Jr., Regional Director of youth programs, U.S. Department of the Interior, Atlanta, Ga., a panel 37

United Neighborhoods Training Center, Charles H. Grant, director, prepared statement 143

ADDITIONAL INFORMATION

Articles, publications, etc.: Page

Application form for Federal assistance under the Comprehensive Employment and Training Act 69

Articles of incorporation of Florida Association of Minority Business Owners, Inc 80

Charges of Excessive Spending Prevalent in FSMV Reviews, from the Sarasota Journal, Sarasota, Fla., February 26, 1981 29

Conflict of Interest Provision, from the Employment and Training Reporter 71

Criticisms Cloud $1 Million in Grants, from the Sarasota Journal, Sarasota, Fla., February 26, 1981 20

Excerpts of Audit Findings on Comprehensive Employment Training Grants from Audit Report No. 9629 on the Department of Community Affairs for the Fiscal Year Ended June 30, 1978, from the State of Florida Office of the Auditor General 121

Final Review of Governor's Special Grants Projects Under Appropriate Titles, memorandum from L. Garry Smith, Jr., to Wallace E. Orr, Secretary, Department of Labor and Employment Security 75

Governor's Special Grant, Fiscal Year 1981, memorandum from Rhoda P. Glasco, Research, Development and Evaluation Administrator, Department of Labor and Employment Security to Jay C. Howell, Senate Subcommittee on Investigations and General Oversight, August 6, 1981 72

Monitoring Report for Fiscal Year 1980 Comprehensive Employment and Training Act Project 46

New Consolidated National Employment and Training System, a position paper, from the Employers' National Job Service Committee, September 4, 1981 147

Offender Project Gets Most Severe Criticism, from the Sarasota Journal, Sarasota, Fla., February 26, 1981 24

Response of Fred L. Bacon, executive director, Union of Concerned Parents, Inc., to the Monitoring Report of Fiscal Year 1980 Comprehensive Employment and Training Act Project 46

State Officials Are Troubled by JCP Operations, from the Sarasota Journal, Sarasota, Fla., February 26, 1981 14

Young Adult Corps Charged With Veering From Its Contract, from the Sarasota Journal, Sarasota, Fla., February 26, 1981 23

Communications to:

Russell, Dr. Charles R., director, division of employment and training, Tallahassee, Fla., from James A. Payne, grant officer, Employment and Training Administration, Atlanta, Ga., January 27, 1981 119

OVERSIGHT OF THE COMPREHENSIVE EMPLOYMENT AND TRAINING PROGRAMS

FRIDAY, AUGUST 7, 1981

U.S. SENATE,
SUBCOMMITTEE ON INVESTIGATIONS
AND GENERAL OVERSIGHT,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Orlando, Fla.

The subcommittee met, pursuant to notice, in the city commissioners chambers, Orange County Courthouse, 65 East Central Boulevard, Orlando, Fla., commencing at 10:04 a.m., Senator Paula Hawkins (chairman of the subcommittee) presiding.

Present: Senator Hawkins.

Staff present: Jay C. Howell, chief counsel, and James F. Michie, chief investigator.

OPENING STATEMENT OF SENATOR HAWKINS

Senator HAWKINS. We will come to order. Good morning.

Today, the U.S. Senate Subcommittee on Investigations and General Oversight will hear testimony concerning the comprehensive employment and training programs here in the State of Florida.

In 1973, the Congress enacted the Comprehensive Employment and Training Act to provide for training and employment opportunities for the disadvantaged. The act mandated that the U.S. Department of Labor provide financial support—primarily in the form of grants—to State and local governments. The act gave broad latitude to these grant recipients in determining what kinds of programs were most needed for their individual locales, and in administering their CETA grant funds.

From the very beginning, there have been a goodly number of successes with these federally funded programs. A good example, here in Florida, is the CETA-supported Broward County Employment and Training Administration, also known as BETA. Today, we will be hearing from the chairman of the BETA Industry Council on the accomplishments of that program.

In Philadelphia, a CETA-funded school opened in 1979 and has trained disabled veterans, former prison inmates and chronically unemployed individuals in the vanishing, but much needed, service of shoe repair. Almost all of the graduates of that program have found jobs and 13 have opened their own stores.

But other programs have suffered from problems in management and in the abuse and misuse of their funds. Consequently, it did not take long for CETA to become deeply mired in controversy.

In 1978, the Congress amended the act. This corrective legislation provided for tightening up the CETA grant system and the

administration of the programs on both the Federal and State level. Nevertheless, abuse and deficiency continued to surface, as is evidenced here in Florida.

The 97th Congress is now faced with the task of deciding the future course of CETA. The purpose of this hearing today is to gather information that will be helpful to the Congress as we go about the task of deciding what is the best course. Several of my colleagues are, with similar purpose, conducting inquiries in other areas of the country.

Few people would take issue with the concept that gave birth to CETA. I firmly believe that we do need training and employment programs. But we must see to it that these programs are properly administered and managed. We must insure that these programs are truly responsive to the needs of those who truly desire to improve their lot and to become productive members of our society.

In fiscal year 1981, our State of Florida received $43 million in CETA funds for training and employment programs that included more than 32,000 students and participants.

I cite these figures only to point out that a great deal of money has been, and continues to be, spent on these programs. And, based upon the evidence gathered by this subcommittee, I am compelled to ask whether much of it has been, or will ever be, spent wisely under the present system.

Today, we will examine several of Florida's CETA-funded programs that unfortunately encountered serious problems over the past several years—problems involving mismanagement, misuse of funds and, at the very least, the appearance of conflict of interest.

We will, for example, hear of CETA funds being paid to a psychologist whose address turned out to be a vacant lot. We will hear of salaries being paid to relatives of program directors and operators. Hundreds of thousands of dollars in equipment was contracted and paid for, but it was never located.

We will hear evidence of apparent conflict of interest in the procurement of various kinds of equipment. And, yet, there are those who would question why we are here today and why Congress would want to take a fresh, hard look at how these funds—these billions of dollars—are being spent.

The evidence clearly indicates that efforts of those Federal and State agencies charged with overseeing these programs are largely ineffective. When abuse and mismanagement are identified, these agencies often are painfully slow in reacting and taking action. And, in many instances, when action is taken, it is of the band-aid variety.

In March of this year, 1981, the General Accounting Office of the Congress, following an intensive investigation, published a scathing report on the internal controls of CETA programs nationwide, on both the Federal and State level.

This is but a further indication that we must come to grips with the necessity that now is the time to act, not only in the interest of accountability, but also in the interest of those hundreds of thousands of individuals who, at this very moment, are in training under CETA sponsorship with the hope of bettering themselves.

I wish to emphasize that the problem areas we are about to explore today are not unique to the State of Florida. But I am sure

that everyone here today is as disturbed as I am over the U.S. Labor Department having assigned to our State the worst of all ratings for administration of these programs.

I most certainly do not suggest that this hearing will provide solutions but it can serve as a beginning. And, hopefully, we all—the Congress, as well as the responsible Federal, State, and local agencies—can gain from this proceeding some insight into the causes of abuse and mismanagement in these programs, so that together we can work toward solution.

It is often difficult and unpleasant to air problems associated with socially oriented programs—especially for those who are responsible for the administration and integrity of such programs. But I sincerely hope and trust that our witnesses, here today, and all those individuals involved in the CETA programs, appreciate the necessity for this factfinding mission which hopefully will lead to constructive change.

In the interest of saving time, I am going to ask all the witnesses to stand at their seats now and raise their right hand.

[Whereupon, all witnesses, prior to giving testimony, were duly sworn by the chairman.]

Senator HAWKINS. Thank you. Let the record show that all the witnesses responded in the affirmative.

The first panel is seated at the table and we welcome you here. Several individuals have been involved directly in the investigation of mismanagement and abuse of the Florida CETA programs.

We have Mr. Dana Bedwell, from the Office of the Inspector General for the U.S. Department of Labor; Mr. Robert Jackson, from the auditing firm of Alexander Grant; Mr. Charles McClellan, from the Office of the Auditor General, State of Florida; and Mr. Lanny Larson, Inspector General for the Florida Department of Labor and Employment Security.

Senator HAWKINS. I realize that the kind of work in which each of you is engaged requires extensive review of documents and great attention to detail. And I want to commend you for your efforts in discovering and reporting of problems in our CETA programs.

I understand that some of you have submitted prepared statements and they will be included in the record.

I would like to ask each of you some specific questions regarding your roles in the investigation of abuse and mismanagement.

We will begin with Mr. Bedwell, who is a special agent for the Office of the Inspector General in Miami.

Mr. Bedwell, let me ask you, first, to briefly summarize your experience in investigation of Government programs and in what specific capacity you conducted your investigation.

STATEMENTS OF DANA C. BEDWELL, SPECIAL AGENT, OFFICE OF THE INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR, MIAMI; ROBERT JACKSON, AUDIT MANAGER, ALEXANDER GRANT & CO., ST. PETERSBURG; CHARLES MCCLELLAN, SENIOR PUBLIC AUDITOR, OFFICE OF THE AUDITOR GENERAL, TALLAHASSEE; LANNY D. LARSON, INSPECTOR GENERAL, FLORIDA DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY, TALLAHASSEE, A PANEL.

Mr. BEDWELL. Senator Hawkins, thank you for this opportunity to appear here today and address your special Subcommittee on Investigations and General Oversight.

I have been employed as a special agent by the U.S. Department of Labor, since December of 1980. Prior to my employment with the Department of Labor, I was a detective sergeant for the Dade County Public Safety Department, Organized Crime Bureau. I have over 12 years of law enforcement experience in the south Florida area.

As both an investigator, with the Department of Labor, and a detective, with the Dade County Organized Crime Bureau, I have been involved in investigating fraud and abuse of CETA funds which have been given, by the Department of Labor, to prime sponsors in Florida, under the provisions of the Comprehensive Employment and Training Act.

Senator HAWKINS. Could you give us some specific examples of the types of problems you discovered when you were investigating the CETA programs?

Mr. BEDWELL. Yes, ma'am.

In 1978, I became involved, along with other members of the Dade County Organized Crime Bureau, in a large-scale investigation into numerous incidents of alleged fraud and abuse which occurred in the south Florida CETA consortium. The consortium is comprised of Miami, Miami Beach, Hialeah; Monroe and Dade Counties.

During this period of time, I headed a unit investigating numerous subgrantees to the consortium who were receiving hundreds of thousands of dollars of CETA funds under various titles and grants. Additionally, investigation was initiated into charges of misconduct by subgrantee staff and Dade County officials who were responsible for coadministering these funds on behalf of Dade County.

Perhaps the most dramatic examples uncovered during the course of this investigation occurred in the private, nonprofit organization known as the Edison Little River Self-Help Community Council, Inc. which was a subgrantee to the consortium.

The following criminal problems were detected at this time:

Diversion of funds, in excess of $22,000, from the Edison Little River program into a private gas station which was owned by the director; salaries were paid to individuals who did not perform any service; funds paid to a psychologist who had no degree in psychology and whose address was later determined to be a vacant lot; several thousands of dollars in loans, to various individuals and employees, which were never paid back; salaries which were paid to the wife of the Edison Little River director who was listed on the payroll under her maiden name. When questioned later, she admitted never performing any work at Edison Little River.

A farm program, which was designed to train the unemployed in farming and in the operation and repair of farm machinery, leased 80 acres of land in Palm Beach County which was never cultivated nor plowed. The farm equipment that was contracted and paid for has never been located. Over $300,000 in CETA funds were expended on this program.

As the investigation grew to encompass Broward and Palm Beach prime sponsors, we sought and received assistance from agencies such as the U.S. Department of Labor, city of Miami Police Department, and the Dade County State attorney's office.

My own investigation continued in the consortium and the following are additional problems that were detected in some of the other consortium's subgrantees:

A subgrantee director who received a salary, under his real name from one source of funding and who was simultaneously receiving another salary, as a clerk typist, under another assumed name. The wife of this same individual was receiving CETA funds as a participant.

Numerous incidents of unqualified and ineligible participants, due to fraudulent information being furnished; payment of mileage expenses to individuals who did not have access to motor vehicles; the embezzlement of CETA funds by an agency bookkeeper; the alleged solicitation of sexual favors by the director of an agency receiving CETA funds.

And, finally, the submission of time and attendance records for individuals who had either never enrolled in a program or who had been enrolled but were no longer with the program.

Senator HAWKINS. During your investigation, did you encounter obstacles that you would characterize as being innate to CETA programs—especially in the way these programs operate?

Mr. BEDWELL. Yes, ma'am.

Perhaps the most significant problem I have encountered, in the investigation of CETA, involved multifunding of subgrantees by various Federal agencies such as Housing and Urban Development, the Department of Health and Human Services, the Department of Energy, and other State, county, city, and private organizations.

In many instances, where subgrantees receive funds from several sources, dual funding of budget items occur without the knowledge of the granting agency.

These funds are often comingled into a single bank account making it almost impossible for an investigator to determine, at a later date, exactly how these funds were expended.

Surprisingly, while the Department of Labor requires documentation to prove how the funds are spent, many other agencies do not have the same stringent requirements. Thus, subgrantees are able to charge the Department of Labor, and other agencies as well, for the same service.

Senator HAWKINS. Have these problems, that you think have occurred in the past, been corrected or do you feel there is an opportunity for a recurrence if CETA is funded again?

Mr. BEDWELL. I would like to be able to report to you that the investigation I have just described to you had a positive impact on other CETA prime sponsors that I investigated in Florida.

However, in my current position with the Inspector General's Office of the Department of Labor, I have again encountered numerous and similar incidents of fraud and abuse in other prime sponsors, since my assignment to the Miami area office in December of 1980.

Some examples currently under investigation by our office include: Over 50 ineligible participants placed into programs based on fraudulent information being supplied; submission of fraudulent and fictitious invoices and receipts of expenses, by subgrantees, for reimbursement.

Again, dual funding of subgrantee programs by various Federal agencies, which has resulted in subgrantees obtaining funds which they may not otherwise have been entitled to.

And, finally, many examples of gross mismanagement and waste of CETA funds by subgrantees.

Senator HAWKINS. Thank you, Mr. Bedwell.

Mr. Jackson, you are the audit manager of the firm of Alexander Grant Co., a firm in St. Petersburg, is that correct?

Mr. JACKSON. Yes, ma'am.

Senator HAWKINS. I understand that it was your firm that was contracted, by the State of Florida, to investigate a particular CETA program located on the west coast of Florida.

Is that how you became involved in this investigation?

Mr. JACKSON. Yes, it is.

Senator HAWKINS. Would you identify and describe for us the type of CETA program you were contracted to audit and exactly how that program was structured?

Mr. JACKSON. First, I again would like to thank you for having me here today to testify before the subcommittee.

Let me go back and sort of put together the relationships of various agencies as it relates down to this particular one.

As you have stated, CETA does require a number of agencies to handle different functions in the distribution of CETA funds. The Federal Department of Labor distributes the CETA funds to various prime sponsors. The prime sponsors, in most cases, are units of local government that meet certain criteria so that they can function as prime sponsors in CETA programs.

In Florida, the Governor of Florida is designated as a prime sponsor to handle those particular areas of Florida that do not qualify as prime sponsors, therefore giving rise to the balance of State CETA prime sponsors.

The balance of Florida prime sponsors works through subgrantees which can be other units of local government and it can be community-based organizations throughout the State.

In addition, there are certain funds portions of CETA funds—that are set aside and distributed specifically through the Governor's office to various community-based organizations to accomplish certain goals that are set aside for the Governor's sponsors to accomplish.

As part of our audit contract, between the Florida Department of Labor and Employment Security, we were directed to perform an audit of the Union of Concerned Parents, located in Sarasota, Fla.

We were specifically asked to audit two fiscal year 1980 CETA contracts. The first contract was budgeted at $315,500, to train

minority youths between the ages of 16 and 21 for positions in the theater/journalism field and to expose these youths to the career opportunities in these fields.

The second contract was budgeted at $74,000 for a park conservation and restoration project.

The theater/journalism program was awarded to the Union of Concerned Parents as part of the Governor's CETA funds. The park conservation and restoration project was funded, jointly, by the U.S. Department of the Interior and Department of Labor and is administered under the youth programs in conjunction with CETA.

Senator HAWKINS. Would you summarize the specific findings of your audit for us?

Mr. JACKSON. Well, as part of the program, UCP—Union of Concerned Parents—submitted in its final budget modification, dated July of 1980—July 30—a trip to New York City which was approved by the prime sponsor.

The modification approved the travel of 13 participants, who are the individual student members enrolled in the program to receive the training in the theater/journalism field. It provided for two chaperons. It also provided, in another area of the contract, one administrative staff person and four training-staff personnel.

The total amount expended for this trip was approximately $9,400. The contract specifically listed budgeted costs of $7,560 for the participants and two chaperons. The costs for the other staff people were budgeted in other cost categories within the contract.

Although seven chaperon/staff members were budgeted to go on the trip, the expenses for eight chaperon/staff members were charged to the grant.

In addition, the chaperon/staff members were paid per diem allowances which should have been used for both room and meals, despite the fact that their hotel room was paid for by the Union of Concerned Parents with CETA funds.

A reduced per diem allowance is permitted, however, under the prime sponsor's per diem guidelines when the hotel room is paid in full. The financial records did not indicate that this per diem allowance—this reduced per diem allowance—was provided to the participants, themselves, to cover their meal costs.

Senator HAWKINS. What was the total cost of the field trip to New York City? Did you say, $9,400?

Mr. JACKSON. Approximately.

Senator HAWKINS. $9,400. Can you break it down in specific categories?

Mr. JACKSON. Yes, ma'am.

The travel costs were $5,502, which were airline tickets.

Senator HAWKINS. $5,000 and how much?

Mr. JACKSON. $502. Hotel rooms were $1,674; theater tickets, $1,555. The staff per diem charge to the contract was $800. Local transportation, in New York City, and parking was $249.

Senator HAWKINS. Did you reach a determination as to why as many as 8 program staff members were required to accompany 13 students?

Mr. JACKSON. No. We did not make any determinations as to why they needed any staff.

Senator HAWKINS. Did you make any inquiry as to whether the theater managers would have been willing to contribute the tickets as a contribution?

Mr. JACKSON. No, ma'am, we did not.

Senator HAWKINS. Did you make a report of the findings in the State of Florida?

Mr. JACKSON. Yes, we did. We delivered a report on March 4 of this year, to the director of the division of employment and training.

Senator HAWKINS. The fourth of 1981?

Mr. JACKSON. Yes, ma'am.

Senator HAWKINS. Which department did you report it to?

Mr. JACKSON. It is the Florida Department of Labor and Employment Security, the Division of Employment and Training, which specifically administers CETA.

Senator HAWKINS. Thank you, Mr. Jackson.

Mr. McClellan, I understand you are employed by the office of the auditor general of the State of Florida. Your office audited the practices and procedures of the State administrators of the CETA programs; is that correct?

Mr. MCCLELLAN. That is correct.

Senator HAWKINS. Would you summarize the findings of your audit reports, beginning with your report back in 1978?

Mr. MCCLELLAN. We did two audits, one for the 1977–78 State fiscal year and one for the 1978–79 State fiscal year. The 1977–78 audit scope was financial; the 1978–79 was financial and limited operational audit. I will summarize both at one time.

The State agency responsible for CETA had not established adequate procedures at the time of 1978–79 audit to verify that employees hired possessed the qualifications listed on their employment applications.

Many employees were hired from other than the top five qualified candidates, contrary to Federal and State regulations.

Our 1978–79, and the 1977–78, audit disclosed that monitoring programs for reviewing the activities of subgrantees were ineffective.

Both years disclosed that the internal audit office was assigned administrative duties and therefore was not independent of operations.

The department's followup on costs questioned by private accounting firms was not timely.

There were no records to indicate that program operators were required to meet minimum qualification standards prior to being awarded CETA funds.

Monitoring reports and audit reports were not made available to the manpower councils when funding recommendations were made by this council.

Adequate records of official actions, including minutes taken by the manpower councils, were not kept.

Our review disclosed that documentation of the negotiation process was not available to clearly show how decisions were made or to fix responsibility for contract development.

The department did not have written documentation as to the scope of the review for which the legal staff was responsible. We

were advised by general counsel that the review by the legal staff was restricted to form only.

The monitoring unit was not independent of the unit responsible for program administration.

Records of the status of outstanding questioned costs, resulting from audits of subgrantees by independent accounting firms, were not kept.

Hearing officers, which preside over hearings where subgrantees challenge findings in audit reports and other matters, were employees of the division of employment and training, which was responsible for the administration of CETA programs. Hearing officers should be independent of operations.

There was no centralized filing system within the department of labor and employment security—division of employment and training.

Records to account for property in the possession of CETA subgrantees, amounting in excess of $2 million on the financial statement of June 30, 1979, were incomplete and inaccurate.

The division approved contracts allowing the rental of office furniture and equipment at costs in excess of the purchase price of such furniture and equipment.

Because of questions relating to the operations of the Union of Concerned Parents, Inc., a CETA subgrantee, raised in monitoring and internal audit reports, and in the press, we tried to gain access to the records of that subgrantee. We were repeatedly denied access to the records of the Union of Concerned Parents.

Senator HAWKINS. Would you say that you found similar problems for both years?

Mr. MCCLELLAN. Yes, ma'am.

Senator HAWKINS. Let us talk about the specific program that Mr. Jackson discussed. Did you have occasion to examine, in your audit, the management operation of UCP?

Mr. MCCLELLAN. No, ma'am.

We were never allowed access to the records.

Senator HAWKINS. I see.

Mr. MCCLELLAN. We did review their monthly reports and, of course, several newspaper accounts that related to that organization, which raised questions in our minds; which is the reason we tried to gain access to the records.

Senator HAWKINS. Why could you not gain access to the records?

Mr. MCCLELLAN. They would not allow us. We visited the site on four different occasions and we were not allowed access to the records.

Senator HAWKINS. There is no legal means?

Mr. MCCLELLAN. Legally, under the contract, they are required to allow the review of records by a representative from the Department of Labor, which we are one of those. And, for whatever reason, they did not allow us to review those records.

Senator HAWKINS. So, up to this date, you have not reviewed those records?

Mr. MCCLELLAN. Up to this date, we have not reviewed those records.

Senator HAWKINS. So, during your audit spanning those years, did you notice any significant change in the administration of the program?

Mr. MCCLELLAN. Not any change, no.

Senator HAWKINS. Was there any reaction from the Department when you reported your findings; that you could not gain access for instance?

Mr. MCCLELLAN. They attempted, in several instances, by telephone and by letter to the director of the Union of Concerned Parents, to gain access. On several occasions, we were called by Mr. Campora, the Assistant Secretary of the Department of Labor, and told that we could gain access.

On each occasion, we sent an auditor from our Sarasota division to the office and on each occasion we were denied access. We had an understanding with the Department of Labor that we would gain access but we did not and we actually tried to gain access.

Senator HAWKINS. Who is in charge?

Mr. MCCLELLAN. The executive director is Mr. Fred Bacon.

Senator HAWKINS. Thank you very much, Mr. McClellan.

Mr. Lanny Larson is inspector general for the Florida Department of Labor and Employment Security.

Mr. Larson, when and how did the inspector general's office first come to learn of the problems in the Union of Concerned Parents?

Mr. LARSON. Madame Chairman, the inspector general's office first learned of problems in early June of 1980, when my predecessor received an assignment from Secretary Orr to audit contracts of three different CETA operations. Included in that assignment was the Union of Concerned Parents.

Senator HAWKINS. Was there a report issued by your office?

Mr. LARSON. There was a report issued. It addressed the park project, which was addressed earlier. That report was finalized on August 5.

The findings of the report focused on a description of the project, being a singular, contiguous, geographic area in proximity to a low-income area.

What was found was it had, in reality, multiple work sites and the community in question was a retirement, mobile-home park. And other findings questioned administrative bookkeeping practices, such as reconciliation of cash balance, et cetera.

Senator HAWKINS. To whom did you submit your report?

Mr. LARSON. The report was submitted to Secretary Orr, on August 7, who approved its distribution to the division of employment and training.

Senator HAWKINS. Could you describe for us the action taken by the State in addressing the problem.

Mr. LARSON. The first significant event took place in late February of 1980. A monitoring visit was conducted on the theater project.

The most critical among the findings was the allegation of conflict of interest by the theater director, who was also, allegedly, vice president of a video and film company.

Ten cartons of tapes had been purchased from this company for a sum of some $1,325. The report recommended immediate technical assistance and also an audit.

The operator received technical assistance in April and submitted a formal response to the monitoring report. The response charged the monitor with bias and prejudice, questioned her competency, and demanded a meeting with the division of employment and training.

On the allegation of conflict of interest, the operator argued that the theater director was not in a position to affect the decision of the executive director who was responsible for procurement.

In late May, a monitoring report was conducted at the park project. The project was found to be behind schedule and questions were raised as to the accuracy of the contract narrative referring to a nearby low-income community. Other findings were more technical in nature, regarding contents of participants' files, supervisors' signatures, and the like.

According to the division, a formal response to this report was not received until November, after that contract had expired.

As stated earlier, the inspector general's office audited the park project in July of 1980.

In September, another monitoring visit was conducted on the theater project. The monitor questioned the cost and the number of staff that had traveled to New York, as Mr. Jackson testified.

Also cited was the operator's failure to solicit bids and receive division approval, prior to leasing certain equipment.

October 1980 began a new fiscal year with both projects at reduced funding levels. The theater project had been reduced from 315,000 to 210,000 and the park project, I believe, from 85,000 to 74,000.

At the end of November, it was determined by the contract manager that a skating rink had been substituted for the bandshell which was contrary to the park project contract. Also, construction was well underway at that point. The operator did submit after-the-fact contract modifications but these were denied by the division.

In mid-December 1980, monitoring was performed on both the theater and the park projects. The monitor confirmed construction of the skating rink vis-a-vis the bandshell and questioned, on the theater project, the absence of authorization for the theater director to be dually employed. This would be per the operator's internal personnel policy.

A discrepancy of some $40,000 was also noted for the fiscal year 1980 closeout. This was later reconciled down to about $600, with payment from the operator to the division, and an amended closeout was submitted in January.

Following that, numerous newspaper articles appeared in December and January, addressing the Broadway trip and the procurement of camera equipment from the video and film company mentioned earlier.

Two significant pieces of information came to light in these articles. First, that the journalism coordinator, founder, board member, and chairman emeritus of the Union of Concerned Parents, was also president of the video and film company.

Second, the camera equipment leased for more than $10,000 could have been purchased at approximately half that price.

On January 14, 1981, Secretary Orr briefed Governor Graham on the recent events and operations of the Union of Concerned Par-

ents. Policy changes to tighten control on budget amendments and out-of-State travel emanated from that briefing. Also, an immediate financial audit of the operator's fiscal year 1980 contracts were ordered of Alexander Grant.

Alexander Grant completed their audit—on-site audit activities—on February 6 and subsequently cited some $27,000 in questioned costs or costs recommended for disallowance.

At this point in time, events accelerated. February 10, the auditor general's staff was denied access. On February 13, the department filed suit against the operator for access and to secure the files. On February 16, a temporary restraining order was received.

On February 25, our office and our general counsel determined that the executive director was also the president of an office supply company which the operator was doing business with.

On February 26, the monitor determined that the office supply address was an apartment whose occupant drove a van registered to the video and film company.

On February 27, the department filed an order to show cause why the contracts should not be terminated. The allegations in that show-cause order were: Appearance of conflict of interest in leasing video equipment; conflict, or appearance of conflict of interest, in procuring office supplies and equipment; denial of access to the auditor general; failure to follow Federal procurement regulations; failure to maintain proper vehicle logs.

Subsequent to this show-cause order, it was discovered by a journalist that each participant had contributed $60 toward the costs of the Broadway trip, mentioned earlier, and that these moneys were unaccounted for. This allegation was then added and amended to the order.

Per Florida law, an administrative hearing was requested by the operator and held May 13 and 14. The hearing officer's recommended order of June 3 found in favor of the department on all points and an agency final order terminated the contracts effective June 30, 1981. Also, a final determination of unallowable costs, by the division, for the fiscal year 1980 contracts has been set at approximately $25,800.

As a final point, information gained during the investigation of this operator was provided to the U.S. Attorney's Office. This information indicated potential linkages with, and between, operators and for-profit vendors doing business with CETA projects.

Do you have any questions?

Senator HAWKINS. I have a stack of articles here that are dated February 26, in the Sarasota Journal, describing in detail those problems which you mentioned also. They go quite in depth on the Union of Concerned Parents' problems.

Then I have a show-cause order, to show cause why the division of employment and security should not cancel its contracts with the Union of Concerned Parents. The show-cause order is dated February 27, which is actually 1 day after this barrage of media.

Do you think that is coincidental, those dates? On the 26th, this whole group of articles, in depth, discovery and sensational findings of the reporter—dated February 26—and the show-cause order the next day?

Do you think that is coincidental?

Mr. LARSON. It is coincidental, ma'am, but there are two points I might bring out.

First of all, the sequence of events, as I mentioned, had really been accelerated. We have at least three newspapers that were concentrating on the story at the time, in essence competing for headlines.

It did not have the effect of causing that show-cause order. The cause of that occurred in my office, about 4:30 on February 25, when we discovered an invoice from Allstate Office & Supply Co. and the listing of Mr. Bacon, the director, being president of that corporation.

Senator HAWKINS. Well, would you agree that being made public probably had some impact on the accelerating of the action taken by the right officials?

Mr. LARSON. I think we were well in the process, but certainly the press was speeding things on.

[The information referred to follows:]

(Indicate page, name of newspaper, city and state.)
The Sarasota Journal
Sarasota, Fla. P.1-A
Date: 2/26/81
Edition:

(Mount Clipping in Space Below)

State officials are troubled by JCP operations

Three CETA-funded projects operated by the Union of Concerned Parents (UCP) have brought more than $750,000 in public funds into the county in the last two years.

But state CETA officials have been highly critical of the programs and one county official dissatisfied with management of the programs asserts UCP will get no more county funds.

Indeed, county CETA funding for one of the programs ran out Dec. 31, and a request for renewal was denied.

Incorporated by Ed James in 1978, UCP's three programs are funded to aid economically disadvantaged youth. One program is purported to prepare youths for theater and journalism careers. Another was started to help juvenile offenders learn job skills and eventually find employment. A third provides work for four young adults developing parks.

IN CONNECTION with these programs, UCP was questioned about possible conflict of interest in purchase and lease agreements and asked to explain possible nepotism, prohibited by CETA regulations.

The organization was also criticized for a trip to New York City taken by 13 youths and eight staff members last Labor Day to attend two Broadway plays. The trip cost $9,421 and was paid for with CETA funds. The federal government has indicated it will not pay for the trip, leaving it the state's responsiblity. The state will ask UCP to reimburse them the cost of the trip, if CETA dollars cannot be used, a state spokesman said.

"IF THEY don't pay we can sue and recover if we have to. But we usually don't have to do that," said Manfred Rice, information director for the state Department of Labor.

In September of 1979, UCP received $145,534 in CETA funds through Gov. Bob Graham's Discretionary Fund to start a broadcast journalism program for youths 16-21 years old.

According to the CETA contract, UCP was to provide on-the-job training for 20 out-of-school youths and give career employment experience for 10 in-school youths.

In addition to the state CETA funds, UCP received aid from the Sarasota County CETA office to pay the 10 out-of-school youths allowances for classroom and on-the-job training equal to the minimum hourly wage.

A PROJECT administrator, a project coordinator and secretary-bookkeeper were paid $27,000 out of the contract. Several media instructors from local TV and radio stations were hired and paid a total of $14,720 to teach and work with the 20 participants.

The students themselves were paid $46,380 in allowances and $16,109 in wages and fringe benefits to attend the classes and work at the stations.

Three Sarasota men who taught the students broadcast journalism agree with the concept of the program but question the way it was carried out by UCP.

JAY FRANK, who was operations manager of WQSA Radio at the time, taught news gathering to the youths for about four months in early 1979. Of the students, Frank said, "From the first class I realized they weren't interested in news."

Most had "terrible" communication skills and needed remedial help, Frank said. "I was told several were going on to college, but I couldn't see it.

"I never had a full class after the first day," he added. "I think they had a misconception about what it was all about. I thought about half of them were there because they were getting paid."

"I thought the idea was good — getting minority kids into broadcast. . .But it was obvious the kids were going nowhere with this. Maybe it was over their heads," Frank said.

AT THE END of 18 weeks, Frank received a letter from Fred Bacon, executive director of UCP, saying his services were no longer needed, though the program was not over.

"I didn't know why and I didn't ask. It was a burden off me," Frank said.

He recalled, however, that shortly before he was fired, he was interviewed by a state monitoring official about the program. He remembers telling the official that he thought he was wasting the students' time and his own time since they weren't interested in news.

UCP Deputy Director Cedric Saunders was in the room at the time, Frank said.

LOWELL SHUMAKER, news director for WQSA in 1979, taught the same students broadcasting two to three nights a week.

Shumaker said some of the students were talented, but "a lot couldn't even read. They needed a remedial course, and that was a major problem."

He said he thinks five or six of the participants currently are working in the media in this area, "But I'm not too sure some (of the others) belonged in that program."

However, Shumaker thought the program was worthwhile and "my part of it was fun."

DID HE think the program was a success? "For those that made it, it was very successful. But that was only about five or six."

Norman Hale, news director for WQSR-FM in 1979, is now program manager for WSRZ-FM. Hale resigned from UCP after teaching about three months. Two run-ins with UCP Director Fred Bacon and Founder Ed James prompted his resignation.

In one incident, Hale said the station owner wanted to have pictures taken of his employees teaching the UCP class. Hale asked James' permission and James said he would take the pictures himself.

But one day when James was out of town, the station hired a photographer to take the pictures during Hale's class. While the pictures were being taken, Bacon came in "yelling and screaming" and expelled the photographer from the classroom.

HALE LATER complained to James about the incident and was told "it was a good learning experience for the kids," Hale said. "He said they have to learn they can't let anyone, especially a white man, go around taking their pictures."

The other incident occurred shortly after Sarasota's Heritage Day, an annual cultural function sponsored by the Heritage Foundation, also started by James.

'I never had a full class after the first day. I think they had a misception about what it was all about. I thought about half of them were there because they were getting paid.'

—former UCP instructor Jay Frank

Hale said James came to the class one day and said he wanted to stimulate a discussion. "He asked why I didn't cover Heritage Day (as news director of WQSR). He put me in a 'do you still beat your wife' situation."

JAMES TURNED the discussion to racial issues, Hale said, and "he got the kids all hostile." The discussion became so heated that Hale left and later resigned.

Hale's resignation letter, addressed to James, said, "I feel that my effectiveness as an instructor has been destroyed by your attack on (me). . .You seem to have taken it upon yourself. to use the UCP Broadcast Journalism Project to promote and advance your own ideas and solutions to problems of racial equality. I was hired to teach broadcasting, not to be your personal whipping boy on racial matters."

THE DECISION not to cover the Heritage Day activities was a matter of news judgment and was not

racially motivated, Hale said. He added the AM station, WQSA, had covered the event.

About the students, Hale said, "They were just the same as any other group — some were into it, others were not."

"As far as I could tell, there was no pre-screening to prepare them or find out if the participants had any interest in a broadcasting career."

Although he agreed with the purpose of the program, Hale said he questioned whether it was a worthwhile expenditure of public funds.

FRANK AND Shumaker said they were paid $5 an hour to teach about three hours a week. Hale believes he was paid $8 per hour, and he said he never received his last paycheck — about $64.

'You seem to have taken it upon yourself to use the UCP Broadcast Journalism Project to promote and advance your own ideas and solutions to problems of racial equality.'

—Norm Hale, in a letter to Ed James

In 1980, UCP received three CETA contracts — two through the state and one through Sarasota County.

The journalism-theater program operated on a $315,000 CETA grant from the state. UCP promised to train minority youths in theater production, including staging, videotaping, costuming, and prop construction at the Asolo State Theater.

The journalism portion of the project was to consist of videotaping other CETA programs around the state to provide the Department of Labor's Division of Employment and Training (DET) with a film bank for public relations purposes.

The grant was renewed for 1981, but the program's funding was down to $210,000. Participation declined each year also — from 20 in 1979, to 15 in 1980 and now at 13 (carried over from the previous year).

PERIODIC CHECKS OF UCP by state independent monitors raised several concerns about the program.

Twice monitors questioned UCP's dealings with a film company operated by James and UCP Theatrical Director Tony Major. UCP had purchased film cassettes from Full Spectrum Video and Film Inc. and had also rented $10,000 in video equipment it could have purchased for less than half that amount.

Full Spectrum was incorporated in December of 1978. State records list James as president and director of the company. CETA regulations prohibit transactions which give the appearance of conflict of interest.

In a cover letter containing UCP's answer to the monitoring report, Executive Director Fred Bacon called the report "bias (sic), prejudice (sic) and unsubstantiated," and called the monitor "untrained, hostile, ill-prepared, and imcompetent (sic)."

BACON DENIED there was any conflict of interest, saying, "I know of no DET procedure forbidding employees of grantees with DET from engaging in business. UCP rents office space from Clarke Development, and I have no say in who else Clarke Development rents space to.

"It is my responsibility to purchase all goods and services for this contract. In that no other employee has this responsiblity, Mr. Major cannot and could not use his position to effect my decision. . .Full Spectrum had the lowest bid."

Full Spectrum offered the lowest rental price of three firms he considered. He also said it was CETA policy to rent rather than buy equipment.

State CETA officials confirmed this was their policy, but said it was going to be changed to allow for purchase if the price is more reasonable.

MONITORS ALSO expressed concern about a letter of recommendation written by James on behalf of a UCP employee.

The monitors wrote: "The writing of such a letter shows Dr. E.E. James as chairman with administrative authority. Ed James is also involved with the journalism-theater program as journalism coordinator. His position on the (CETA) contract conflicts with supervisory efforts of Executive Director, Fred Bacon."

The monitors recommended UCP submit a notarized statement to DET, identifying all members of the board by full name and present position immediately.

Responding, Bacon said James' writing of the letter was "well within his powers as Chairman Emeritus." The information the monitors requested was listed in the official contract filed with DET, he added.

A REVIEW of financial records pointed to several weaknesses, the monitors said. They were concerned that UCP didn't adequately record expenditures, that travel vouchers had minimum authorization, didn't contain enough information for verification and were completed weeks after the travel occurred.

Several times monitors criticized high rental rates paid by UCP, costly long-distance telephone bills, and "excessive travel without sufficient documentation."

UCP paid $575 monthly rent to Clarke Development and $650 to the Nelson Hesse Cyril law firm out of the CETA contract, totaling an "enormous amount of rent," according to the monitors.

UCP RENTS two suites of offices for the two programs operated with state CETA funds. One monitor observed three vacant offices and said one office contained only a copy machine. Also, one suite includes an "extremely spacious lobby," the monitor said.

"(UCP) should attempt to restructure office location space and eliminate the leasing of unnecessary office space," she recommended.

"UCP believes that it is operating at the maximum efficiency as it relates to office space," Bacon replied.

Office supplies are stored in the same room as the copy machine, he said, and the lobby space is used for "meetings and other staff activities."

Bacon said UCP's office rent is reasonable and comparative for Sarasota.

MONITORS SAID UCP's phone bills were high because of several calls to Salt Lake City, Utah; Philadelphia, Pa.; Tampa and Los Angeles, Calif. UCP's telephone call logs are not adequate to support charges, the monitors also claimed.

Phone calls to Philadelphia, Tampa and Los Angeles are necessary because those cities are theater centers, Bacon replied. "It is important to the quality of my project that I maintain linkages with these Theatre Centers," he wrote.

Salt Lake City is fiscal headquarters of another UCP CETA program, the Young Adult Conservation Corps. "YACC paid its share of the telephone bill, as records will indicate, if someone would take the opportunity to look," he said.

Bacon also said: "UCP maintains a telephone log on all long distance calls. Long distance calls are monitored by the project director and are done at a rate consistent with the needs of UCP as they relate to fulfilling the contract."

BACON ANSWERED the travel voucher concerns by supplying some of the information and saying, "I am unaware of any DET procedure dictating the time to prepare travel vouchers."

He also said all travel vouchers bear his signature, as he is the only person who can authorize travel.

A later monitoring report claimed Bacon and James' travel vouchers didn't contain enough documentation. Bacon responded: "I have reviewed all travel vouchers. . .in an attempt to isolate those travel vouchers in question, and correct any insufficiency that are (sic) noted.

"UCP has taken no excessive travel. All travel conducted by UCP is in accordance with the. . .contract."

MONITORING REPORTS also criticized the high staff-to-participant ratio. In 1980 there were 15 authorized participant positions in the journalism-theater program. Only 12 were filled and there were 11 paid UCP staff members.

"This represents nearly one staff member for every participant. Five staff job descriptions contain requirements for counseling participants," the monitor wrote.

Another monitor noted: "In reviewing the number of participants, staff, and the contract amount ($315,000). . .this contract results in a cost of $21,033 per participant per year."

Bacon answered that UCP was trying to recruit participants for the vacant positions. He added that the staff is not only responsible for the participants, "but their duties include and are not limited to videotape productions, workshops and seminars. The ratio of (participants to staff) receiving service from this contract is 125 to one. As you can see, it is important that most staff job descriptions contain requirements for counseling participants."

WITHOUT EXPLAINING how he arrived at the figure, Bacon answered: "Based upon total participants served. . .this contract has resulted in a cost of $210 per participant served."

'Several UCP employees were observed reading paperback books and arriving at the office late.'

—state monitor

Still another monitoring report commented on the high staff-to-participant ratio: "Several employees were observed reading paperback books and arriving at the office late." Indeed, one former employee told the Journal that some staff members went to work "when they felt like it."

The monitor recommended UCP "make every effort to reduce the number of staff through attrition."

UCP has made every effort to reduce staff, Bacon answered, by combining duties and responsibilities. "At present, UCP's staff reflects the minimum number of employees necessary to carry out the contract."

MONITORS ALSO questioned whether former UCP bookkeeper Carol James was related to Ed James, and suggested UCP get a notarized statement from her about the relationship. She is married to Ed James' nephew, Hubert, who operated the Sarasota office of Florida State Minority Ventures.

Bacon forwarded her resignation letter and a copy of her application, but made no mention of the relationship to James.

Three trips taken by UCP's bookkeeper to Tallahassee for technical assistance by Florida State Minority Venture's bookkeeper were also questioned. The visits totaled 13 days, including one trip of eight days for which the bookkeeper received per diem pay over a weekend.

UCP's contract didn't provide for travel and per diem for a bookkeeper, the monitor said.

BACON RESPONDED by saying the bookkeeper's travel was paid for out of the service category of the contract, which provided for travel.

Also questioned was the purchase of three rolls of Xerox paper from an office supply company in Tallahassee. The invoice showed the paper was delivered to FSMV headquarters, but paid for out of the UCP contract funds.

Bacon answered, saying the Xerox paper was needed by UCP's bookkeeper during her technical assistance visit to FSMV.

Other concerns raised included discrepancies between payroll amounts and sala[illegible] listed in the contract. "None of the amounts coincided exactly, but varied between $2 and $10 per staff member per pay period."

Bacon denied there were any discrepancies.

By DECEMBER 1990, the number of participants in the journalism-theater program had decreased to 13. A monitor who visited that month found all 13 participants at the UCP offices learning their lines for a production.

Four participants were interviewed, and "All said that they had received a great deal of highly specialized training and felt that the program would definitely enhance their prospects of obtaining permanent, unsubsidized employment in theater," according to the monitoring report.

However, one participant told the monitor that while she had learned a lot in the program, she didn't plan to stay in theater work.

"DUE TO the expensive nature of this particular training program, (UCP) should take every possible precaution in screening prospective participants, to determine that they have a sincere desire to work in theater as a career and not as a temporary job," the monitor concluded.

Bacon's answer: "Due to the nature of this particular training program, (UCP) has taken every precaution in screening prospective participants."

In addition to theatrical training, UCP contracted to offer five seminars in the journalism-theater field to 500 youths in Sarasota, Manatee, Pinellas, Leon and Hillsborough counties. The seminars were to begin last month, although state officials don't know where they were to be held. Local school officials said they have not been contacted.

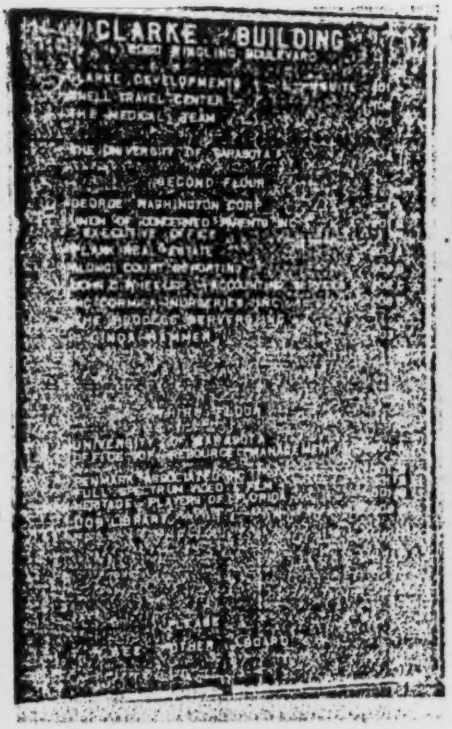
UCP's CETA contract narrative listed Florida A and M University, the Bulletin (a Newtown community newspaper), New Black South (a black magazine published by James' daughter) and Suncoast Black as participants in the seminars.

AT LEAST one of the CETA monitors was less than satisfied with Bacon's responses to monitors' concerns. Rose O'Leary said two weeks ago that UCP didn't adequately answer her concerns. She has prepared a five-page memo detailing how Bacon's responses were deficient, particularly regarding Major's involvement with Full Spectrum, the high staff-to-participant ratio, incomplete documentation of expenses and the large office area.

Ms. O'Leary said the contract manager and the program operator, in this case UCP, are supposed to get together to decide what corrective action will be taken on the monitor's concerns.

THE MONITORING report also should be used in making subsequest funding decisions, she said. "In this case I don't think it was."

"UCP has never had a good monitoring report," she added.



Office directory of Clarke Building
UCP there, along with some of James' private enterprises

UCP Theatrical Director Tony Major
Operates Full Spectrum with James

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)
Sarasota Journal
Sarasota, Fla.
Date: 2/26/81
Edition:

Criticisms cloud $1 million in grants

One man has brought more than $1 million of taxpayers' money into Sarasota. Local gratitude, however, has been balanced by criticism that these government-financed programs benefit a small circle of people more than Sarasota's minority population as a whole.

As of the last few weeks, support at the government level also appears to be waning as charges of mismanagement have surfaced.

The Union of Concerned Parents Inc. (UCP) and Florida State Minority Ventures Inc. (FSMV) are two of the organizations launched by E.E. "Ed" James since 1978. Still the recognized leader of their efforts, James is a controversial figure who is as well known in the state capital as he is in Sarasota.

IN AT LEAST one of these enterprises, James appears not to have a formal authority role anymore. But some former employees and officials who deal with UCP and FSMV say he seems to run the programs in reality, if not on paper.

James is chairman emeritus of UCP and the journalism coordinator for one of its programs. He is treasurer and a member of the board of FSMV. He also is a board member and past executive director of the Florida Association of Minority Business Owners (FAMBO), another CETA-supported agency headquartered in Tallahassee.

Within months of their inception, the three corporations together received grants totaling more than $680,000 in Comprehensive Employment Training Act (CETA) funds.

PUBLIC FUNDING of the agencies reached a peak in the 1980 fiscal year, with the three operating on $1.5 million in state and county CETA funds. Funding was down to $600,000 this year and, with massive cuts in the nation's CETA programs promised by the Reagan administration, future funding of these programs is uncertain at best. Florida will lose about half of its federal aid for jobs programs if President Reagan's proposals are passed by Congress.

Although the Sarasota County Commission has decided to abandon its sponsorship of local CETA programs, a spokesman for county government stated flatly that UCP would get no more county CETA money because of its poor track record.

UCP HAS applied to take over sponsorship of CETA in the county but, because of the controversy UCP's programs have sparked recently, the county commission decided to endorse another agency to provide that service, according to County Administrator Ed Maroney.

The CETA-funded organizations have all drawn common fire from state and county monitoring officials. The programs are characterized by extremely high administrative costs and some have been criticized repeatedly by state monitors as being too top-heavy, with the cost of one program estimated to be more than $21,000 per participant.

State officials are critical of UCP and FSMV spending practices, including excessive travel, long distance calls and lavish offices. One senior CETA official described the operation of these programs as "notorious;" another one likened FSMV headquarters in Tallahassee last year to "setting up an empire" with space and furnishings far superfluous.

UCP AND FSMV also have been criticized in state and county monitoring reports for:

- Comingling of funds between programs (prohibited by CETA regulations);
- Insufficient financial, personnel and participant record-keeping -- specifically, inadequate documentation of expenditures;
- Carrying out transactions without the proper prior CETA approval.
- Apparent conflict of interest with regard to contracts and purchases.
- Failing to carry out program intentions.
- Duplication of existing state programs.

CRITICS SAY the aims of these programs are worthy, but question the need for such costly endeavors in Sarasota.

Headquarters for UCP programs financed by CETA are grouped together in two adjoining buildings at 2074 and 2080 Ringling Boulevard. The 2080 (east) side is owned by Clarke Developments, and 2074 (west) is owned by the Nelson Hesse Cyril Weber Smith and Widman law firm.

James' name is on file with the state corporations department in relation to many other corporations -- most chartered since 1978. There are 18 in all, with several located in the same Ringling Boulevard building. Four of the companies were dissolved by the state in December for failing to submit the required 1980 annual report.

James' only verifiable salary from his various CETA endeavors is $12,916 a year as journalism coordinator for UCP. However, he is known to travel to Tallahassee frequently at the expense of either UCP, FSMV or FAMBO.

A REPEATED criticism of both UCP and FSMV is the directors' lack of cooperation with state monitors and CETA contract managers assigned to the programs.

And though the executive directors of the organizations have not always adequately answered or corrected the deficiencies monitors point out, they have been successful in renewing their grants to operate their programs. The monitoring reports are to be used in making future funding decisions, but one monitor said it is obvious this has not been the case. "UCP has never had a good monitoring report," she said, but its funding has continued.

PLACING THE blame for the long list of criticisms and shortcomings is difficult. The CETA officials who approve grants and modifications are as responsible as those applying for tax dollars. The problem is tightly knotted in red tape and bungling bureaucracy.

State CETA Director Charles Russell said recently some conditions listed in independent monitoring reports may point to deficiencies of the CETA contract managers who are supposed to provide technical assistance to program operators.

The fact that the kinds of problems cited for James' organizations are persistent and recurring makes it "obvious that the monitoring process didn't work very well," Russell said.

THE INSPECTOR General's office has just completed an internal management review of the Department of Labor's Division of Employment and Training (DET). Based on some of the preliminary findings, Russell said the monitoring procedure is going to be changed.

Especially lacking, Russell said, is communication and coordination between the contract managers and the monitors to make sure problems are followed up on.

Specific changes are pending a final report on the Inspector General's findings, Russell said.

The Sarasota Journal has taken an in-depth look at some aspects of the programs, their funding, their accomplishments and their weaknesses. Information was gathered from state and county records, interviews with state officials, former UCP employees and others who have dealt with James or his programs. When asked if he would consent to an interview, James said, "I will not be available." Asked if he would answer some questions about his programs, James repeated, "I will not be available."

Ed James

'I will not be available'

(Indicate page, name of newspaper, city and state.)
Sarasota Journal
Sarasota, Fla.
Date: 2/26/81
Edition:

(Mount Clipping in Space Below)

Young Adult Corps charged with veering from its contract

A UCP program to put economically disadvantaged youths to work developing parks has been cited for having no minorities working and for misrepresenting project sites in a funding proposal.

In 1980, UCP received a $74,000 grant for two Young Adult Conservation Corps (YACC) projects. Funding was renewed this year for the "Park Conservation and Restoration Project."

UCP contracted to develop two parks, one in North Port and one in the Newtown section of Sarasota. The parks were to be adjacent to rural low-income communities.

AFTER A visit to the North Port site, behind City Hall, a state monitor concluded: "The area appears to be at least a middle-income housing development, with very few economically disadvantaged or minority community members."

And in a Jan. 19, 1981, letter to UCP Executive Director Fred Bacon, state CETA Director Charles Russell said, "The worksite is adjacent to an exclusive, private land development. . .Your current fiscal year 1981 YACC contract must be modified to delete the low income reference to the North Port worksite."

Furthermore, all the participants are white males, the monitor stated. "The dominance of white male participants in the program, and the complete absence of any minority races appears to be indicative of the actual, as opposed to described, area conditions."

WITH HIGH competition for limited funds, the monitor said, steps should be taken to ascertain that actual area conditions are as described in the contract proposal.

In addition, UCP didn't fulfill its contract in the North Port site, the monitor said, because the participants built a skating rink instead of the bleachers and bandshell contracted for.

Bacon explained a modification to the contract was being processed and that because UCP didn't receive all the funding requested, it had to substitute a less expensive project.

DET has received the modification request but has not approved it yet. The request was the object of James' publicized visit to Tallahassee Feb. 2 when he stormed into Russell's office, demanding that the CETA director sign for a package.

Russell, in a meeting, refused. When James insisted on sitting in on that meeting, a sheriff's deputy had to be called to escort him out of the building.

(Indicate page, name of newspaper, city and state.)
Sarasota Journal
Sarasota, Fla.
Date: 2/26/81
Edition:

(Mount Clipping in Space Below)

)ffender Project gets most severe criticism

Sarasota's Union of Concerned Parents has been highly iticized for its program to provide job training and unseling for juveniles in trouble with the law.

The Youth Offender Project, funded for $89,604 through e Sarasota County Commission, received "the most vere criticism of any program the county has run," cording to County Administrator Ed Maroney.

The program's Comprehensive Employment and aining Act (CETA) funding expired Dec. 31, and a ETA advisory board refused to recommend to the coun- commission that it be re-funded. Maroney said recently CP will get no more county funds.

FUNDING FOR the program is "another example of oney going into a bureaucratic organization for the ke of the organization itself," according to County ommissioner John Sabo.

The purpose of the program was to offer counseling and b development for first- and second-time juvenile of- nders.

The program was to have begun in September of 1979 id end the following September. Due to start-up delays, wever, the program ran from December of '79 to cember of '80.

Sarasota County CETA Independent Monitoring Unit MU) employees began a monitoring visit of YOP in gust, and due to what they considered a severe lack of operation on the part of the UCP staff, the monitoring ocess took more than a month.

THEIR REPORT, dated Oct. 15, 1980, was not swered by UCP until December, and then UCP Ex- utive Director Fred Bacon's response to the findings as "unsatisfactory," the monitors told the Journal.

The monitoring was "severely impeded and delayed by e seeming reluctance of (UCP) to release participant cords and records of financial transactions essential to mplete a comprehensive review," the report states.

The monitors were told only Bacon could authorize lease of the records they requested, and not project rector Freddie Mitchell. Bacon was frequently "out of wn," "out of the office" or otherwise "not available" hen the monitors attempted to get the information from m.

BACON'S RESPONSE letter said, "As executive director of UCP, Fred Bacon is frequently out of town and out of the office. However, this has never pose (sic) a problem in the operation of UCP as long as incoming correspondences are timely and addressed correctly."

Bacon said the IMU's letter advising UCP when the monitoring visit was to be made and what documents were needed by the monitors was sent to James instead of to Bacon.

He said that when he was aware of what IMU needed, "copying (of the records) began within the hour."

But the monitors say a month had elapsed before any records were copied for them to review, and this "tended to invalidate the spontaneity of the monitoring review and resulted in an unnecessary delay in the submission of this report."

And even when IMU was allowed to view participant, personnel and financial records, they were only given some files. "Those files had been selected by YOP staff and not by IMU staff."

AMONG THE monitors' findings were:

— Apparent co-mingling of funds between YOP and the YACC project;

— Use of unauthorized travel vouchers;

— Unsatisfactory maintenance of participant records;

— Lack of evidence that YOP counselors were giving participants any job development aid;

— Lack of back-up documents for requests for reimbursements;

— Apparent use of the CETA contract as collateral for a $10,000 loan (prohibited by CETA regulations);

— Deviations from the approved contract timetable;

— No indication that UCP had developed a control group for comparing the offenders with and no model program package promised in the contract;

THE MONITORS told the Journal it was their opinion UCP didn't fulfill its contract in the project.

Part of the plan was that a control group of non-offenders would be used to compare the progress of the offenders in assessing the impact of the program. As of yet, UCP has not supplied CETA with any comparative data.

County CETA Director Bob Kirce said UCP staff say they are compiling that data and have promised to have it ready soon.

UCP also promised CETA a youth offender program model that could be replicated by other agencies. Kirce said UCP hasn't yet supplied that information. But, he added, he is told they will.

Of the $89,604 grant, $61,082 was spent on UCP staff salaries and fringe benefits. Project Manager Freddie Mitchell was paid $15,000; a chief counselor was paid $12,000; two counselors were paid $9,500 each, for a total of $19,000 and a bookkeepor-secretary was hired for $9,000.

KIRCE SAID the salaries were significantly higher than what county workers with corresponding responsibilities are paid.

Other administrative costs were also high, Kirce said. UCP bought nearly $4,000 worth of office equipment to run the program. The equipment is sitting unused in a vacant office on Orange Avenue now that the program is over.

An additional $4,050 was charged to the contract for office space rental, $2,100 was spent on phone bills, and $6,975 was budgeted for travel.

"The administrative costs were certainly higher than they would be for ourselves (CETA), but that was one of the things we wanted to test," Kirce said.

HE SAID CETA was interested in finding out the impact of high staff-to-participant ratios and wanted to see how effective a program with such high administrative costs could be in reducing rescidivism of juvenile offenders.

"The product will determine whether the project was viable," Kirce said. When UCP furnishes CETA with the comparative data and the model program package, it will be easier to decide whether the program was worth the expense, he said.

Such a program is a good investment, Kirce said, "when compared to the cost of incarceration. I don't know if it will result in (the participants) not being incarcerated. The verdict is never in on these things. You just never know."

KIRCE SAID UCP's lack of cooperation with the IMU staff was "most annoying to me and I'd be most mindful of it in future dealings with them.

"Record-keeping is a nightmare in CETA, but it is necessary," he said. Some record-keeping is redundant and the requirements change often, but "it must be done."

Kirce said CETA tries to assist program operators with financial and participant record-keeping, and "it is the spirit of cooperation that is important. I don't think we've had the consistent lack of cooperation with any other agencies" that UCP exhibited.

According to Maroney, UCP's "intentions were good. That's why the (CETA) advisory board recommended it (for funding) and that's why the board of commissioners approved it." However, the program proved not to be cost-effective, he added.

AND MARONEY said he has received continuous complaints from Kirce and CETA employees about the lack of cooperation from UCP.

County commissioners, who approved funding of the project, have never seen IMU's report. Although it was sent to County Administrator Ed Maroney, the report contained a notice inside the cover restricting its use and prohibiting its public release.

Due to the report's confidentiality, Maroney said he was afraid the commissioners couldn't discuss it in an open meeting. That would be a violation of the Government in the Sunshine law, Maroney said he believed.

COUNTY STAFF Attorney Tom Cawley was consulted and offered the opinion that the monitoring document was an open record and its use could not be restricted. Such reports are treated as public record by state CETA personnel.

"I can't believe the board (of commissioners) never got to see this report," Saba said last week.

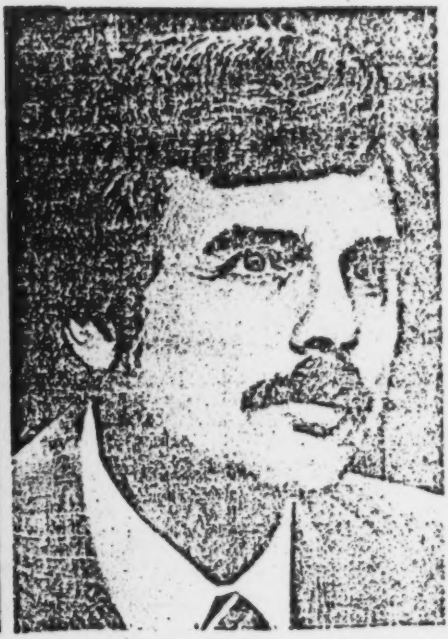
CETA Director Kirce said release of the monitoring report on UCP constituted unusual circumstances. Usually, the monitoring reports are revised after the program operator answers the concerns raised in the report. The reports areonly released in final form, he said.

But since UCP didn't answer the report in the required time, the initial draft became the final report and the public record.

Staff attorney Cawley said it was his opinion that all stages of the reports are public record, though recipients should be made aware that the reports contain allegations which may later be revised.

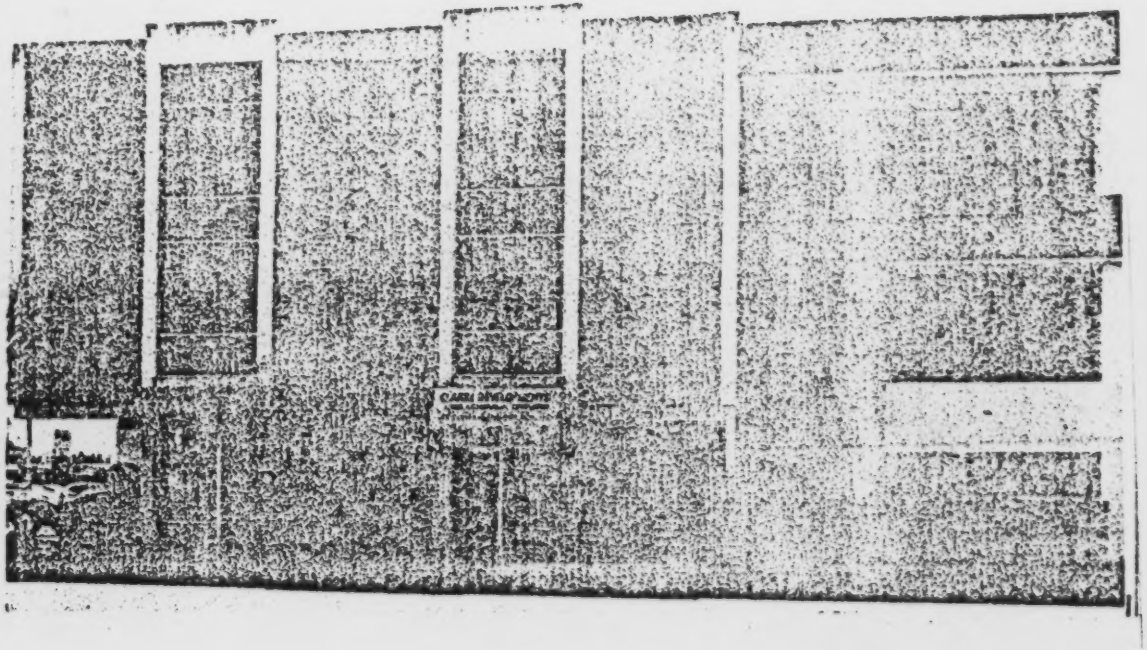
County CETA Director Bob Kirce
'Consistent lack of cooperation'

County Administrator Ed Maroney
'The program proved not to be cost-effective'



County Commissioner John Saba
'. . . For the sake of the organization itself'

The Union of Concerned Parents' offices are housed in this office complex at 2074 and 2080 Ringling Boulevard. UCP rents suites of offices from both the Nelson Hesse Cyril Weber Smith and Widman law firm, owners of the 2074 portion of the building, and Clarke Developers, owner of the 2080 part. UCP was criticized by state officials for renting "excessive" office space with state funds. Also housed in the building are several of Ed James private enterprises.



(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)
SARASOTA JOURNAL
SARASOTA, FLA.
Date: 2/26/81
Edition:

Charges of excessive spending prevalent in FSMV reviews

A statewide program to aid minority businessmen is scaling down its efforts and closing its Sarasota office, but not before criticism of excessive spending and questions about execution of its contract.

The program's effectiveness is also difficult to determine. Program officials refuse to pinpoint for reporters who received assistance from its taxpayer-paid staff, which consisted of as many as 20 people.

FLORIDA STATE Minority Ventures Inc. (FSMV) received a $480,000 government grant last year and a $180,000 grant this year to stimulate minority businesses through Comprehensive Employment and Training Act (CETA) funding.

Last week the organization was sued by its former landlord for allegedly breaking an office lease agreement. This is not the first time the organization's efforts to spur economic development among minorities have been sidetracked.

With their entire budget both years pegged to salaries and other administrative costs, FSMV was also hard hit when it unveiled plans recently to pare its staff to three persons because of its rapidly dwindling grant.

PRIOR TO that, FSMV operated with headquarters in Tallahassee and regional offices in Jacksonville, Sarasota and Miami. Officials with the non-profit organization say they have identified viable businesses which minorities can buy from non-minorities. They also say they are prepared to help aspiring minority businessmen secure loans.

"We're looking for industrial and manufacturing businesses because blacks have not had much opportunity in these areas," Executive Director Jacqui Brown said in an interview last month. She estimated 10-25 majority-owned businesses in Sarasota's seven-county region were explored in detail.

TECHNICAL assistance provided by a staff "loan packager" helps clients get government or bank loans, she added.

"We work with them in putting the loan package together. That's 75 percent of getting a loan, because even if you have enough collateral in getting a loan, if you don't know how to present it, then you could have blown your chances."

Program officials were unwilling, however, to provide details on who received assistance from its four offices statewide before they were dismantled — specifically, from the Sarasota office after 17 months of operation.

"I'm sure if you walk into the local food stamp office, they won't give you the names of the people they served and they're operating on public funds," said Brown, who was paid $23,000 a year to administer the economic development program from Tallahassee.

HUBERT JAMES II, paid $16,000 a year as the Sarasota regional coordinator, declined repeated attempts to be interviewed by the Journal.

At one point, Brown told the Journal that all inquiries about the Sarasota branch should be directed to "Dr. Ed James of Sarasota." Ed James, uncle of Hubert James, is founder and one of four directors of the organization and technically has no administrative duties with the government grant.

The other three board members are Joe Love of Green Cove Springs, Alfred Benefield of Jacksonville and Tony McCray of Pensacola.

FSMV officials say they will continue to serve their established clientele despite the smaller staff. They plan to focus their attention on the distribution of $750,000 they received as part of a "revolving loan fund."

THE FEDERAL Economic Development Administration awarded the money to FSMV with the stipulation that seven counties — Dade, Walton, Holmes, Washington, Liberty, Franklin and Jackson — should have first priority in receiving the loans because they have the greatest need, according to Brown.

With the exception of Dade, all are in Florida's Panhandle, a fact which raises doubts about the need for a regional office to help minority businessmen in the Sarasota area.

"The Sarasota office wasn't put there to administer the revolving loan fund" consummated last September, replied Brown. She said the Sarasota office was established with the other regional offices primarily to offer technical assistance to minorities venturing into business.

WHETHER GOV. Bob Graham's discretionary CETA funds should have supported this endeavor was an item of contention from the start.

Rudy Slaughter, who was in charge of awarding Florida's CETA contracts for fiscal 1979 as director of the Office of Manpower Planning, said he sought federal approval before funding FSMV and several similar economic development programs.

Slaughter was originally told that "CETA is NOT an economic development program" in a letter from Atlanta grant officer Newstell Dowdell of the U.S. Department of Labor's regional office Aug. 31, 1979. The letter went on to say that "We can find no support for such activities . . ."

AFTER MEETING with federal officials in Atlanta in late September, however, Slaughter said he received approval for FSMV and other contract proposals in limbo.

"They approved the 19 contracts," Slaughter confirmed from his Washington, D.C., CETA office. "CETA funds had never been used in Region Four (the Southeast) for economic development before," he said, although they had been used in other parts of the United States.

Slaughter said it ultimately met the approval of the State Employment and Training Council, the Department of Labor, a staff attorney and an annual report from the Atlanta office. FSMV received a 12-month contract and a $480,000 grant shortly thereafter.

THE FOLLOWING summer, July 1980, Inspector General Shelton Kemp asked whether FSMV was eligible for funding.

"A review of expenditure and other documents show that all activity costs have been directly and-or indirectly related to established business acquisitions. Section 677 of the regulations (Programs under Title II of the Comprehensive Employment and Training Act) provides no support for this type of activity," concluded the 1980 interim audit report.

Kemp also cited the letter from Dowdell which excluded economic development programs from CETA funding.

THE OFFICE of Manpower Planning has since been replaced by the Division of Employment and Training (DET), and its current director, Charles Russell, said it is his understanding that DET is complying with regulations by funding FSMV.

FSMV received grants in the fall of 1979 and again in 1980. "Were it (the FSMV program) in violation of regulations, they wouldn't have received the second grant," Russell said.

When it came time to renew the program in 1980, a state planner argued against it, saying it largely duplicated the efforts of other organizations elsewhere in the state.

"Once a proposal is submitted, we review it to see how well it fits into the state's goals for CETA. . .and many of us felt FSMV was duplicative of other efforts to aid minorities," said Planner Rick Smith, formerly with the DET's Office of Research, Development and Evaluation.

SMITH CITED the Community Economic Development Corps in Jacksonville, the Minority Industrial Development Corporation in Riviera Beach (near West Palm Beach) and the South Florida Coalition for Community Economic Development in Miami.

"The issue was one of duplication," Smith said.

The 34-member State Employment and Training Council felt otherwise. The committee which decides who will and who won't receive CETA funding voted last year to place FSMV on a contingency list for possible funding. The organization later received $180,000, which was only one-fifth of its original request.

IN HIS JULY 1980 report, Inspector General Kemp also raised questions about excessive costs and severe changes to the CETA contract.

In one instance, FSMV was billed for $1,021 for one month's phone calls from its Tallahassee headquarters — of which $660 were long-distance charges. The bill from Central Telephone Company was dated Feb. 19, 1980.

Another questioned cost was $19,669 worth of construction to the suite of offices it rented in the Lewis State Bank Building in Tallahassee. It involved months of negotiating between FSMV and the CETA office and is now costing the grant recipient a lawsuit as well.

FSMV, WHOSE CETA contract is to give minority businéssmen a helping hand and contained no provisions for office alterations, authorized the installation of interior walls, doors, carpeting and wall coverings in the unfinished offices — without CETA's written approval.

". . .This work was performed prior to obtaining written approval from the Division of Employment and Training and started prior to the contract period. All costs related to the alteration of office space will be questioned and subsequently disallowed," Inspector General Kemp notified acting-CETA Director Steve Campora.

Ed James, treasurer of FSMV, said they had received a verbal commitment from Slaughter, the former CETA director.

Slaughter told the Journal he, too, would disallow the costs because FSMV "acted too hastily by a couple of days." Before Slaughter successfully negotiated the fiscal

1980 FSMV contract with Atlanta officials, FSMV had signed the lease agreement and requested the remodeling work.

Seven months into their contract, James was still trying to get the CETA contract amended to include the almost $20,000 worth of remodeling. James complained to Secretary of Labor Wallace Orr that their request to include office alterations was delayed by his department for five months.

IN A LETTER to the U.S. Department of Labor in Atlanta, Orr reiterated that FSMV was given a verbal go-ahead by the former CETA director and said, contrary to the Inspector General's opinion, "I am willing to specifically approve the renovation expense after the fact."

The Atlanta office agreed and FSMV was later notified the $19,669 office costs were an allowable CETA expense.

Another question of excessive spending — more than $1,500 for five pairs of sheer draperies for their offices — was raised by contract monitors and the Inspector General.

The contract monitors recommended a written request for approval, and the Inspector General suggested, after examination, their "only value is aesthetic."

PROBLEMS surrounding FSMV's downtown office space were not over, however. The owner of the bank building, First Financial Properties Inc., is now suing the operators of the CETA program for allegedly breaking their five-year lease.

Because they moved into unfinished offices, FSMV received a $4-per-square-foot rebate on the 2,862-square foot office, or $10,648, and then moved out after the first year.

"They were given a construction allowance because they entered into a five-year lease — which is the only way they could have gotten a construction allowance," said attorney Philip Parsons, who represents First Financial Properties Inc.

First Financial Properties has filed suit in Leon County Circuit Court seeking $10,000 in back rent, which will increase by $2,000 a month — the equivalent of a month's rent — for each month as of March until the claim is paid.

The suit also seeks the $10,648 allowance they were given for office remodeling with the understanding they would be five-year tenants. The $20,648 claim is against the corporation's assets and, according to Parsons, should not cost Florida taxpayers anything.

A CONTRACT MANAGER is routinely assigned to each CETA grant to ensure the grant's successful completion and to provide assistance. Contract manager John Crisman said he received little cooperation from one of the corporation's representatives, Ed James.

Crisman recalled an incident in the fall of 1979 when FSMV was just getting started and he wanted to cut the costs of some "expensive" furniture in their contract by offering substitutes.

"It appeared to me that that organization was setting up an empire, a pretty classy place, like a corporate headquarters," Crisman said in an interview.

"I questioned those things and suggested that in order to cut down the cost of the furniture, we could supply him with property from other operators. There were a bunch of them in town that were going to be finished after that year.

"HE (JAMES) became enraged. . .He made some comment like this was not a ghetto operation, and he began to scream at me in my face, something about how I was there to serve him," Crisman said.

Before he was removed from the contract and assigned to help grant recipients in another CETA bureau, Crisman complained in a memo to his boss last summer that "Florida State Minority Ventures Inc. has not been a cooperative operator. I have informed my supervisors of the difficulties that I have encountered. I was told by my supervisor to leave this organization alone.

"This operator has been allowed to exhibit hostile behavior toward me; and, they have been encouraged to circumvent my guidance and instructions. . ." Crisman reported.

In an angry letter to Secretary of Labor Orr, James states FSMV received "no technical assistance" from Crisman.

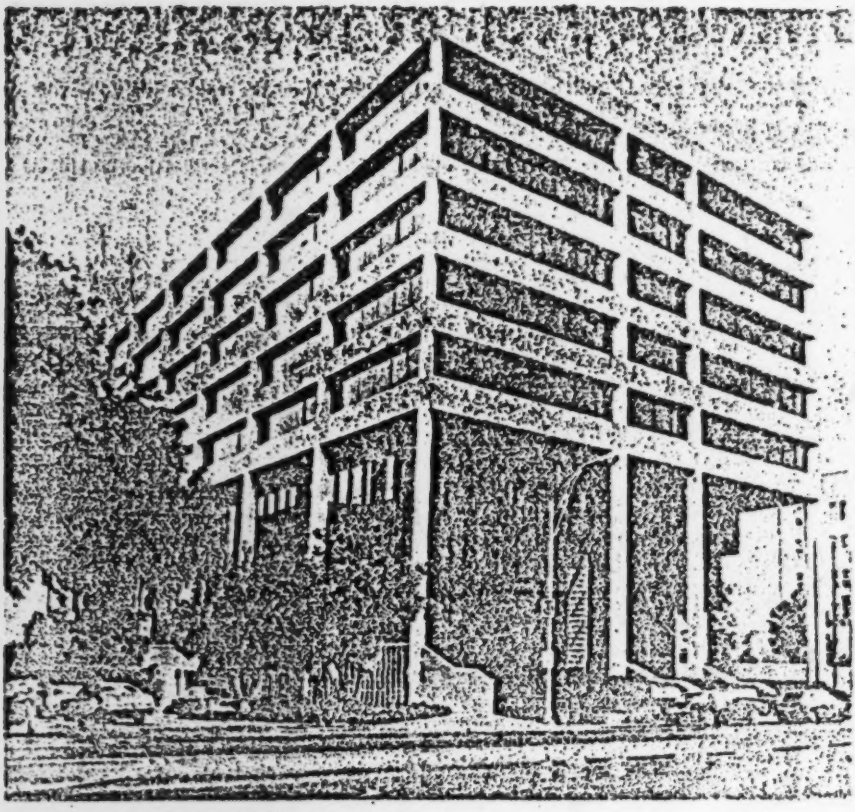
COMINGLING OF FUNDS, which Sarasota's Union of Concerned Parents was faulted for regarding two of its programs, was also evident with FSMV.

"In November of 1979, FSMV made a loan to the Florida Association of Minority Business Owners Inc. (FAMBO) in the amount of $14,592. This was to cover their monthly expenses. The loan has since been paid back," criticized two contract monitors, but not without calling attention to the fact that "The executive director of FAMBO is Dr. E.E. James, who is also the treasurer and a member of the board of directors of FSMV."

James later denied both that the loan came from FSMU's 1980 grant, and that he was executive director of FAMBO at the time the auditors questioned the loan, in April 1980. James was FAMBO's chairman of the board, however.

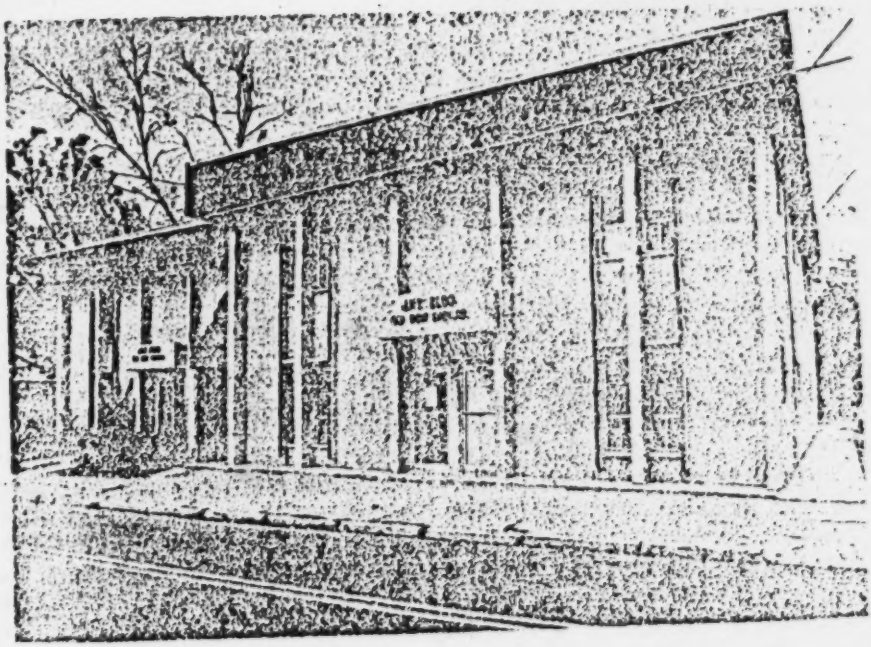
FSMV's Sarasota office
Will close due to budget cuts

Hubert James II
Paid $16,000 as regional director



A TALE OF TWO OFFICES — When Florida State Minority Ventures received a $480,000 special grant from the governor last year to help minority businesses, employees of the program set up shop on the fourth floor of the modern Lewis State Bank Building in downtown Tallahassee, above. Rent was $2,000 a month for the 2,662 square feet of unfinished offices. Program officials spent almost $20,000 of their grant money to fix up the offices before they could move in.

When this year's grant was reduced to $180,000, program officials trimmed their staff and moved into the J.N. Tookes Building, in a depressed area, where rent was only $1,338. An attorney for the owner of the Lewis State Bank Building contends FSMV broke a five-year lease after the first year and are now suing the non-profit corporation for $20,648 to recover back rent and a renovation rebate the landlord paid the tenant.



Senator HAWKINS. Mr. Larson, after going through this experience that you have described for us, are there any actions you think could have been taken that would have spared the program from some of the problems you have discussed?

Mr. LARSON. It is not too difficult, at this point, to look back and see—you know, we could have looked at this quicker and investigated that faster. Perhaps we can be accused of being too cautious.

I think there is an important point and that is that we were not there—and this may sound funny coming from the inspector general—but we were not there to terminate the program; we were there to try to make the program work. And we did that, right up until the point where we found, without a doubt, the violation of the rules.

And, at that point in time, we still had to ask ourselves a lot of questions. The regulations are extremely complex, and they change often, and you have to ask yourself questions like did you provide enough technical assistance; should we have had a workshop here and there; and, in essence, when we have to terminate a program there's a shadow of blame that spills over on us.

We did have problems; probably not so much the individuals who were doing the monitoring, or technical assistance, or the auditing, but in pulling those pieces together.

The secretary recognized that and, when I came onboard, in January that was the No. 1 item that he had me take a look at.

We did a management review on the monitoring unit. We tightened the linkage between those people and the ones who were managing the contracts and providing the technical assistance.

We transferred the CETA internal auditors from my office to the division so that we have those three groups all working together now. And it is, at least, my opinion that if this had occurred earlier, we would probably have been up with if not ahead of the press. It is not perfect but I am very proud of where it is going in the last 6 weeks or so.

Senator HAWKINS. Well, I am sure all you gentlemen understand the mood of the Congress today, and the mood of the people; it is no secret. It is in the headlines, daily, that budget-cutting mode has been set upon elected officials in this Nation and they are demanding efficiency and less abuse of the programs; they want programs that work and that work efficiently.

When you cut social programs, it is very difficult to vote for less money when we know we do not have fewer problems.

So I am commending you gentlemen for being involved in making the program work better. Obviously, in the testimony given here today, there is a lot of things we can do to make the program work better.

But there are a lot of questions in the minds of my colleagues—especially the Labor and Human Resources Committee—recommending future funding of CETA. It is a noble purpose and an original concept. And I think we all agree, today, that we want employment training and we want people employed.

However, when the abuses are so flagrant and it is hard to get at the information for such a long period of time, I am sure you are all aware of the reaction of the public. They like people just to get jobs and stay employed.

I want to wish you continued success in your efforts to correct these kind of problems and thank you for your testimony here today. Thank you.

Our next witnesses, Mr. James Payne, the Associate Regional Administrator for the U.S. Department of Labor, in Atlanta; Mr. William Day, the Regional Director of Youth Programs for the U.S. Department of the Interior Regional Office in Atlanta.

Senator HAWKINS. On behalf of my subcommittee and my committee also, I want to thank you for taking time to join us here today. I am sure that we are going to learn a great deal from your testimony, because you are the officials charged with administering and overseeing the expenditure of Federal dollars and heaven knows that the world's eyes are upon you.

Mr. Payne, I want to first ask you for your impressions concerning the administration of CETA grants, in Florida, during the year 1980.

STATEMENTS OF JAMES PAYNE, ASSOCIATE REGIONAL ADMINISTRATOR, U.S. DEPARTMENT OF LABOR, ATLANTA, GA.; WILLIAM J. DAY, JR., REGIONAL DIRECTOR OF YOUTH PROGRAMS, U.S. DEPARTMENT OF THE INTERIOR, ATLANTA, GA., A PANEL

Mr. PAYNE. Well, of course, I became what they call the Grant Officer of Florida in March 1980. The programs in Florida involve 22 prime sponsors and I do not know how many thousand subgrants below the grantee level.

I have found that, on the whole, most of the programs are good. It is just those that get bad publicity or problems that you really hear more about.

It has been very difficult to manage the programs because regulations change and funding levels change. Trying to keep on top of what is required at this moment, not what it was yesterday, bother both me and the prime sponsors. They have had a very difficult time during the last couple of years.

Senator HAWKINS. Are you one of the officials that were assigned the responsibility of rating the States?

Mr. PAYNE. Yes, I am.

Senator HAWKINS. What was the rating assigned for the State of Florida?

Mr. PAYNE. State of Florida, going into fiscal year 1981, was a serious problem, the prime sponsor in all the titles, both in the Governor's grant and what we call the Balance of State grant.

Senator HAWKINS. Serious compared to what?

Mr. PAYNE. Well, we have three categories. One is eligible for immediate funding, beginning with the new fiscal year. One is the problems identified which can be corrected prior to the beginning of the fiscal year. Serious problems means that it would take longer than the beginning of the new fiscal year to correct the problems.

Senator HAWKINS. How many other States come under your jurisdiction?

Mr. PAYNE. Only Florida is under my personal jurisdiction. I am familiar with eight States in the Southeast region.

Senator HAWKINS. Have any other States that you are familiar with been given the same serious problem rating?

Mr. PAYNE. Not in that period, no. Florida was the only one that had that serious rating.

Senator HAWKINS. Not in the eight States?

Did your office initiate any efforts to address and correct problem areas?

Mr. PAYNE. Yes. We wrote to the prime sponsor identifying problem areas that needed corrective action with a corrective action plan, with a timetable.

Also, the sanction I worked on, I put them on quarterly funding.

Senator HAWKINS. Quarterly funding?

Mr. PAYNE. Quarterly funding and monthly reporting, to improve the conditions.

Senator HAWKINS. Was that any help?

Mr. PAYNE. I think it helped get their attention to what I had seen needed to be addressed. I did remove that quarterly funding at the end of 6 months because they had made substantial improvement.

Senator HAWKINS. What date was that?

Mr. PAYNE. March 31 of 1981.

Senator HAWKINS. 1981. So they are now on——

Mr. PAYNE. They have full funding now.

Senator HAWKINS. Full funding for the year?

Mr. PAYNE. For the rest of it.

Senator HAWKINS. What was your role in the administration proceedings involving the Union of Concerned Parents?

Mr. PAYNE. I first heard of the Union of Concerned Parents problem from a newspaper reporter, Pat McMahon in St. Petersburg, on December 23.

I was not knowledgeable of it, nor was my Federal representative I work with on the Balance of State. I immediately called, I believe, Steve Campora or Dr. Russell, and mentioned to him that I was going to instruct them to conduct an immediate investigation and an audit, because of the allegations cited to me by Mr. McMahon.

Senator HAWKINS. Mr. McMahon came to see you or he called you?

Mr. PAYNE. No, he called me.

Senator HAWKINS. And told you about the problem.

Mr. PAYNE. And then the newspaper article. He said he was going to publish it the next day, did I know anything about it, because he would like to quote me. That was the first knowledge I had of the incident.

I did tell Dr. Russell, or Steve, whoever I talked to that, since they had not requested my approval for travel out of State, the cost of the trip would be an unallowable cost and auditing was in progress right then on the grantee.

Senator HAWKINS. Do you have documentation reflecting that?

Mr. PAYNE. Yes, I do.

Senator HAWKINS. Has there been a determination who is to bear the expense of that trip?

Mr. PAYNE. Well, I have told them it would be unallowable cost which means the auditors have already picked that up, our Office

of Inspector General, and I am going to declare it a debt against the grantee.

My relationship is directly with the grantee and not the subgrantee, so the expense right now would be to the State of Florida from non-Federal funds.

Senator HAWKINS. Could you relate to us the substance of the decision concerning the UCP appeal?

Mr. PAYNE. The UCP appeal, to me, was really on the termination of their contract. They disputed the termination, following the show-cause order.

I have not completed all of my review. Based on what I have reviewed so far, I am going to uphold the grantee's determination. I had recommended to them to terminate the contract, based on what was found out from the audit.

Senator HAWKINS. Thank you, Mr. Payne.

Mr. Day, in your position as Regional Administrator for the Youth Programs in the U.S. Department of the Interior have you had the occasion to supervise grants to the Union of Concerned Parents program?

Mr. DAY. No, ma'am, I do not supervise grants. Our relationship is directly with the Florida Department of Labor Employment Security.

We sign grants, jointly, with the U.S. Forest Service to the department of labor and employment security. And it is incumbent upon the Department of Labor to monitor their contractors or subgrantees.

Senator HAWKINS. What is the nature of the grant from the Department of the Interior to the subgrantees?

Mr. DAY. The grant is the Young Adult Conservation Corps. This is a program for youths, between the ages of 16 and 23, involved in intensified conservation work on State and public lands and waters.

Under this region, we have 10 States—Florida happens to be one—receiving funds from our office.

Senator HAWKINS. Did the State of Florida apply for that grant?

Mr. DAY. Yes, ma'am.

Senator HAWKINS. When was the application submitted?

Mr. DAY. September 30, 1980.

Senator HAWKINS. September 30, 1980?

Mr. DAY. Yes, ma'am.

Senator HAWKINS. When did your office become aware of any problems involving UCP in its handling of Federal funds?

Mr. DAY. On June 16, one of my staff members came down to provide some technical assistance in phasing out the YACC program.

Senator HAWKINS. That was in 1981?

Mr. DAY. Yes, ma'am.

As you probably are aware, the YACC program is one of the programs scheduled to be phased out during the fiscal year 1982.

And it is our job, at this time, to provide technical assistance in terms of an orderly phaseout of the program.

So, on June 16, one of our staff members came down and was involved in the phaseout process. She was advised at that time of

the possibility of a problem with the UCP and possibly terminating the grant.

My staff, at that time, advised that this should come officially from the Secretary, so that appropriate action could be taken by the U.S. Forest Service and our office, jointly, with the Department of Labor and Employment Security.

Senator HAWKINS. Do you know if the program is still being funded?

Mr. DAY. It is my understanding it is. It is scheduled to be terminated June 30—or was terminated June 30.

Senator HAWKINS. It was terminated June 30?

Mr. DAY. Yes, ma'am.

Senator HAWKINS. Do you know how much money they received?

Mr. DAY. Yes, ma'am. For fiscal year 1981, UCP received $74,000 to employ seven youths.

Senator HAWKINS. To employ seven youths?

Mr. DAY. Yes, ma'am.

Senator HAWKINS. So if they divided that by seven and just gave the kids money, they may have done a better job.

How did your office come to learn about the UCP problem?

Mr. DAY. During the monitoring for phaseout visit, our staff member was advised that there was a possible problem.

Senator HAWKINS. That is the first time you knew about it?

Mr. DAY. Yes, ma'am.

Senator HAWKINS. When you sent somebody down?

Mr. DAY. They indicated that there was a problem but, mainly, with the YETP program which is not under our jurisdiction.

We were not aware that any of our YACC funds were involved with the allegations that the U.S. Department of Labor identified earlier.

Senator HAWKINS. Department of Labor or Employment Security, then did not inform you——

Mr. DAY. Not at that time.

Senator HAWKINS [continuing]. Of the problems after they were discovered?

Mr. DAY. Not officially.

Senator HAWKINS. Would that be a good practice in the future, getting a red flag on any particular program, when there are so many departments involved in these grants?

Mr. DAY. Any time there is a problem, or adverse publicity, with our program, we should be advised so that appropriate action is taken.

Senator HAWKINS. Is that in the regulations anywhere or the guidelines?

Mr. DAY. Yes, ma'am. It is in the OMB Circular A-102. It is a document from the Office of Management and Budget to uniform Federal agencies in administering grants to States and local governments.

Senator HAWKINS. If at the time you had known that UCP was having difficulty with the management of their previous grant of Federal funds, would this have been a factor in your judgment on whether to fund UCP the second time?

Mr. DAY. Yes, ma'am. We would call for the Department of Labor and Employment Security to initiate an investigation and

advise us of their findings. Then a determination would have been made jointly with the U.S. Forest Service and our office as to whether or not we would approve a subgrant for UCP.

Senator HAWKINS. So I take it, from what you have told us here today, that the failure to timely report these problems to your office does involve Federal regulations?

Mr. DAY. Yes, ma'am.

Senator HAWKINS. And someone violated, then, the Federal regulations?

Mr. DAY. From what I have heard in testimony thus far, yes, Ma'am.

Senator HAWKINS. Mr. Stockman will be glad to know he has something already in place here and there. I talked with him yesterday, at length, about several of the problems that we have in Florida and was informed that they are setting up another monitoring agency that will help us in the future to make sure the red flags are flown in time.

Is there anything else you would like to tell us, Mr. Day, in your observations as a regional representative?

Mr. DAY. Most of the other contractors and subgrantees, in Florida, have had great success.

Some of the States, recently, have turned back funds that they were not able to use. We have tried to increase some of the funds, here in Florida, for the projects that were doing well; of course, UCP would not be one of those.

But the last thing I think I would like to add is that Federal agencies do not get directly involved with subgrantees or contractors until there is a problem or until there is a request by the grantee agency for technical assistance.

So it is not unusual not to be aware of these things until there is a news article or somebody calls to make a formal complaint.

Senator HAWKINS. In light of the new philosophy in practice in Washington of a block grant, rather than categorical, do you feel that there would be more opportunity for things like this to happen where it is just a lump sum of money given the State and the State has the opportunity of spending it as they wish?

Mr. DAY. Well, Senator, my personal opinion is that there would be less involvement by Federal agencies.

Senator HAWKINS. Therefore, a purer program; the money would be spent better?

Mr. DAY. I did not say that. [Laughter.]

Senator HAWKINS. There has been quite a dialog going on in Washington, concerning delivery of the block grants, you know. You can trust those people on a local level that have the money but you cannot trust the Federal people.

Mr. DAY. My only comment is that there would be less involvement from people like Jim Payne and myself.

Senator HAWKINS. We will find something for you to do. [Laughter.]

We want to thank you for coming here today and testifying. This record is going to be distributed to all the members of the full Committee on Labor and they, obviously are looking at what we are doing to investigate known abuses of CETA. And I am sure that

you officials will have a great impact on this record. Thank you so much for helping us with these programs.

The next witnesses are going to be two people who have been referred to several times, Mr. Wallace Orr, secretary of Florida Department of Labor and Employment Security and assistant secretary of Florida Department of Labor and Employment Security, Mr. Steven Campora, directly involved in administration of Florida's comprehensive employment and training programs.

Senator HAWKINS. We fully appreciate and realize the policy and procedure in the administration cannot always be perfect. But we are concerned—I am especially concerned—about the apparent inability to act in an appropriate and timely manner to problems in the management and operation of such programs.

I would like to have you share with me your thoughts on how the administration of these programs can be improved, so we can go back and tell the Senate and House of Representatives to continue funding of these programs.

We want to hear first from Mr. Campora. I believe you have a brief opening statement.

STATEMENTS OF STEVEN H. CAMPORA, ASSISTANT SECRETARY, FLORIDA DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY, TALLAHASSEE, FLA., AND HON. WALLACE E. ORR, SECRETARY, FLORIDA DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY, TALLAHASSEE, FLA.; ACCOMPANIED BY CHARLES R. RUSSELL, DIRECTOR OF EMPLOYMENT TRAINING, STATE OF FLORIDA, TALLAHASSEE, FLA., A PANEL

Mr. CAMPORA. Thank you, Madame Chairman. I appreciate the opportunity to be invited to act as a witness today.

On March 6, 1980, I was appointed as the acting director of the division of employment and training of the department of labor and employment security and, simultaneously, I was also functioning as acting assistant secretary for the department of labor and employment security.

Sometime, during the first half of May 1980, a bureau chief under my supervision approached me and suggested that an audit be performed on three separate programs funded under the Comprehensive Employment and Training Act funds and particularly in the category of Governor's special grant funds.

The program being discussed today, on the central west coast, as has been mentioned here today, was one of those three programs.

Due to the fact that the division has been accused many times of bias, discrimination, and harassment by this program before we had conducted any such audits, we received permission from the secretary of the department of labor and employment security.

And so then, consequently, by oral request the department's inspector general's office was requested to conduct these three audits.

Later on, upon receipt of the west coast operator's monitor visit response—in other words a response to a monitoring visit that was quite adverse—I requested that a meeting be held between representatives of the operator in question, the monitoring bureau, the director's office and the statewide bureau.

Such a meeting was held on April 28, 1980 in Tallahassee. The meeting did not resolve all matters and the contract manager from the bureau of statewide services was to follow up in an attempt to further resolve issues identified by the monitoring report.

On or about May 23, 1980, a document, in letter form, came across my desk that stated that the division had reviewed the response to the monitoring report and found such response was adequate.

Now, this does not mean that everything that was cited in the initial monitoring report was okay and that we could proceed as normal.

It did mean that they had provided us with all the information that could be provided.

The meeting, referred to previously, much of it resulted in heated dialogue and accusations of discrimination, bias, harassment, and so forth.

So since it was felt that the program had provided all the information they possibly could, the division and department could make further decisions.

It was also felt that this program may eventually have audit exceptions, based on the audit that was ordered, and those things would have to be continued to be followed up on.

This program, on the west coast, was eventually canceled. In secondguessing the process that led to that cancellation decision, it may well be argued that the decision should have come sooner and the process was intended to function in a much more expedient manner. Of course, that argument must be considered in terms of prudence, due process and the Florida Administrative Procedures Act. I would like to briefly address my comments to that particular problem.

In Florida, probably more so than any other State in the country, we are very much in the sunshine. We have public disclosure for almost all our public officials, elected and appointed. We have public documents law; we have the Administrative Procedures Act. Any action that we attempt to take must always be considered in the light of these laws.

In working in State government, it is obvious that these laws are helping and we would encourage them, although sometimes they tend to be cumbersome.

For example, let me talk about one particular problem. The appeal process on termination and similar actions, there is one aspect of the Federal CETA law, I think, that could be changed to motivate the appeals system to be a more responsive and expedient one.

In the case at point, with the west coast operator, the department of labor and employment security made the decision to send a letter to the operator that stated the operator should show cause why such a program should not be terminated.

The operator's response was to request a hearing. In appealing the agency action, it is not clear, in Florida, which process to initiate, the Administrative Procedures Act (State APA law) or the Federal appeal process prescribed in CETA regulations, or both.

The department has attempted to use the APA for the local remedy. And when appeals are necessary, the Federal procedure

should apply when the appeals go to regional office, Federal court, and so forth.

In the case in question, the actual hearing on the merits of termination was 2½ months from the time the division sent the show-cause communication. This is due a lot to the administrative procedures act, the days you wait, getting a hearing date scheduled with an APA officer and so forth.

And, of course, there is also the distinct possibility of the same case being heard in both State and Federal courts, because it could start out on a local level and be appealed up to the Federal level and also potentially continue along to State courts through APA levels.

I think this situation could be remedied somewhat by the Federal CETA regulations specifying the hearing and appeals process, as is presently done, but further exempting any State remedies for the same agency actions in terminations' audits and similar actions.

In other words, the Federal people have provided a due process and the two do not dovetail well. For example the time requirements on APA exceed those of the Federal time requirements for us to solve on a local level. So, if we use APA, we are going to go over the time limits which let them appeal the case farther on up the line and then you still have to continue with it with APA.

I think that would provide a due process and, at the same time, allow for accurate discovery time and be fair, in many cases, but still give us a more expedient situation.

And with that, I will stop and answer any questions that you may have.

Senator HAWKINS. You were director of the division of employment and training, when the internal-monitoring bureau first presented an adverse report on the problem, were you not?

Mr. CAMPORA. I was not director when the monitoring report was actually—the visit was actually—taking place, but I was director when the written report came in, yes.

Senator HAWKINS. The adverse report.

Mr. CAMPORA. Yes.

Senator HAWKINS. The internal monitoring group provided your office with a set of specific concerns—I believe that is the word for them—when they were first discovered and your monitoring bureau examined the financial operations of UCP.

I would like to discuss with you some of the specific concerns contained in the bureau's report.

First of all, the bureau discovered what appeared to be a conflict of interest involving the theatrical director for the Union of Concerned Parents, who, at the same time, was vice president of a private corporation known as Full Spectrum Video & Film.

Mr. CAMPORA. That is correct. And that is one of the issues, I do not think, that was ever totally resolved. The operator in question felt like there was no direct conflict. But I think we argued, even if there was not a direct conflict there was an appearance of conflict, which I think is addressed in CETA regulations; that not only the conflict of interest should be avoided but any appearance of conflict.

But we felt like that no further information they could give us would add any further light on the subject and we would have to

observe the situation closely to see if any further purchases were made from that particular company—which later were and later became even more serious problems.

Senator HAWKINS. In the UCP written response to you, I believe the way it unfolded was that the bureau recommended that the UCP should submit it in writing, a written explanation to the department, as to why the UCP permitted this kind of purchase, as well as why the video tape company had its headquarters in the same building that housed the UCP program.

In the UCP's written response to you, the executive director indicated that it was his responsibility to purchase all goods and services and, therefore, the theatrical director could not possibly use his position with UCP to effect a decision and buy the equipment from the theatrical director's company that was housed in the same building.

Now, my question is, when we hear all of this spiderweb story, did that explanation satisfy your concern regarding the possible conflict of interest?

Mr. CAMPORA. No. No, it did not.

Senator HAWKINS. Another concern that was raised, by your internal monitoring bureau on this report was that one of the employees at UCP had the same last name as the UCP journalism coordinator and former president of that program.

And your records show that the bureau recommended that a notarized statement be obtained from the employee, in order to determine whether or not she was related to the UCP's journalism coordinator.

The response that we have, from the executive director of the UCP, was a civilian-employee application for the individual in question.

Was that a satisfactory response?

Mr. CAMPORA. Well, the person, in question, did submit a resignation and was gone from the program. So, as far as further conflict of interest, that obviously would be gone.

Her case was very much a borderline case, as to whether she was or not. I think she was married to the nephew of one of the board members—emeritus members—somehow. So it was very much a borderline case.

I do not think we were happy with it, because I think we still felt—once again in quotes, I think that would be in violation of "appearance of conflict of interest" whether it really was conflict of interest or not. But we were less concerned with it, when we had an official letter of resignation and it was checked to find out that that person, now, did not have any connection, or employment, or otherwise, with this particular operation.

Senator HAWKINS. In its report of February 1980, your monitoring bureau recommended that the UCP program be audited.

Did your office act on that?

Mr. CAMPORA. We had ordered, as I mentioned in my previous testimony—we had requested an audit previously of this program, by our own inspector general's office. And that was one of the ways that we felt that we would help resolve the issue of this monitoring report.

[The information referred to follows:]

FILE

Knight

STATE OF FLORIDA
DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY
Division of Employment and Training

Union of Concerned Parents
2080 Ringling Boulevard
Suite 201-B
Sarasota, Florida 33577

Dear Mr. Bacon:

Enclosed is a copy of the monitoring report for your Fiscal Year 1980 Comprehensive Employment and Training Act Project (# 80ET-90-12-00-08-003). The report was prepared after the visit by Sondra D. Dorsett and Mijanou Alexander, of the Independent Monitoring Bureau, on February 28-29, 1980.

We appreciate and acknowledge the cooperation and professional dedication that characterize your efforts in implementing a successful program.

Please respond, in writing, to the specific recommendations made in the Monitoring Report by April 25, 1980, so that all procedures relative to the monitoring visit can be concluded.

Sincerely,

Steve H. Campora, Director
Division of Employment and Training

SHC/sec

encls.

STATE OF FLORIDA
DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY
Division of Employment and Training

MONITORING REPORT
Fiscal Year 1980 Title IV YETP

DATE OF VISIT: February 28-29, 1980

CONTRACTOR: Union of Concerned Parents
2080 Ringling Boulevard
Suite 201-B
Sarasota, Florida 33577

CONTRACT SIGNATOR: Geno Carneigie

CONTACT PERSON: Fred L. Bacon

MONITORING STAFF: Sondra D. Dorsett, Employment and Training Specialist I and
Mijanou Alexander, Employment and Training Specialist I

CONTRACT NUMBER: 80ET-90-12-00-08-003

CONTRACT AMOUNT: $300,000.00

EFFECTIVE DATES: October 1, 1979 thru September 30, 1980.

PROGRAM ACTIVITY: Transitional Services and On-The-Job Training

STAFF INTERVIEWED: Fred Bacon, Executive Director
Tony Majors, Theatrical Director
Edward James, Journalism Coordinator

Introduction:

Union of Concerned Parents is a non-profit organization located in Sarasota. The Agency is operating two CETA programs funded under Title VIII (YACC) and Title IV (YETP).

The Journalism/Theatre Project is designed to train minority youth between 16-21 years of age for positions in the theatre/journalism field and expose them to career opportunities within the field. Training offered will be in producing and directing videotape productions and staging of video productions. This exposure is designed to increase the number of minorities enrolled in the schools of Journalism and Theatre.

Overall Goals:

1) To increase the number of minorities enrolled in schools of Journalism.
2) To increase the amount of females employed at theatre production companies.
3) To expose over five hundred (500) youth to career opportunities and seminars.
4) Train (20) twenty participants in the area of theatrical work for unsubsidized employment.
5) To develop a method by which theatre companies can hire and promote minorities into theatrical field.
6) To produce five videotape productions on information relating to journalism and theatre.

Narrative:

Progress Report:

Laboratory training was scheduled to begin March 10, 1980, but was operating effectively during the month of February, 1980.

Participants are constructing settings, designing costumes and painting sceneries for several productions, "The Tempest", "Ah, Wilderness," and "The Dark," to be presented at the Asolo State Theatre.

An interview with three (3) participants was conducted at the Asolo State Theatre Shop. Participants (Columbus Jackson, Stanley Gainey, and Michael Law) were asked to give a brief description of their duties.

All three (3) participants were preparing a setting for the production "The Tempest" to be presented at the Theatre. Columbus Jackson and Stanely Gainey were constructing a stairway and flat after reviewing the blue prints. The Scenic Artist, Michael Law, was in the process of painting scenery for the production mentioned above.

Administration:

The following information was reviewed for accuracy and completeness:

1) Staff and participants' files
2) Referral, intake, and certification of participants staffing patterns
3) Headquarters management capabilities
4) Division of Employment and Training Manual and Procedural Instructions
5) Overall discussion held with Executive Director, staff members and participants
6) Review of timesheets, grievance procedures.

Concern:

The following forms were either not available for review or inaccurate:

1) CETA application
2) Status Change Notice
3) Allowance Entitlement
4) Intake Worksheet
5) Vertification Form

Recommendation:

The Operator should refer to Procedural Instruction No. 79-25 September 25, 1979 which references proper usage of the revised forms for Fiscal Year 1980. The Operator should review the instructions on completing the forms and insert each one in the participants' files.

Concern:

The grievance statements placed in the participants' files are inadequate and are not in compliance with the Division of Employment and Training Procedural Instruction No. 76-16.

Recommendation:

The operator should review the procedural instruction and implement all requirements immediately.

Concern:

The bond acquired for this contract expired December 1, 1979. There was no documentation of bond coverage after December 1, 1979.

Recommendation:

The Operator should show vertification of bond coverage for the period from December 1, 1979 thru September 30, 1980. Such information should be acquired immediately and submitted as proof of obtainment to the Division of Employment and Training.

Concern:

In reviewing the file on Tony Majors, the Theatrical Director, the following information was revealed:

1) Tony Majors is Vice President of Full Spectrum Video and Film, Inc. The corporation's address is listed as 2080 Ringling Blvd., Suite 200, Sarasota, Florida. The address listed above is the same as the contract's address.
2) Check Number 183, written to Full Spectrum Video for $1,325.00 to purchase ten (10) cartons of Sony Betamax L500 cassettes indicates a conflict of interest because Tony Majors is the contract's Theatrical Director. The Operator is in direct violation of contract Assurances and Certifications which specifically state "The Operator shall establish safeguards to prohibit employees from using their position(s) for a purpose that is or gives the appearance

of being motivated by a desire for private gain for themselves or others, particularly those with whom they have family, business or other rites".

Recommendation:

1) The Operator should submit a written explanation to the Division of Employment and Training specifying why the operator allows Tony Majors to use the contract's address as his place of business.
2) The Operator should submit a written explanation as to why the purchased amount of L500 cassettes are 1) listed for more than the actual check written, 2) why the items on the MRFT are shown as purchased from WXLT-T.V., and 3) why the items were purchased from the Theatrical Director, Tony Majors, instead of another company.

Concern:

In reviewing staff files, the following decrepancies were noted:

1) No evaluation was found in the files of any staff members;
2) No written documentation of resignation was completed by Elvira Chester or Linda Fulton;
3) Status of Shelia Baker is uncertain;
4) Minimal information is maintained on Mrs. Carol James. Also, no resignation letter was maintained in her file.
5) No file on staff member Richard Haggerty is maintained.

Recommendations:

1) Evaluations on the staff members should be written, signed by each individual, and placed in the appropriate files.
2) Resignations should be submitted by Elvira Chester, Linda Fulton, and Carol James.
3) A notarized statement from Carol James should be obtained in order to secure whether or not Mrs. James was related to the administrative staff of the contract.
4) The file on Richard Haggerty should include application, resume, resignation letter, previous timesheet to document time worked for paycheck #129 which was written on November 14, 1979 totaling $78.85, and other pertinent information as soon as possible.

Concern:

A letter written on November 1, 1979 to the Florida Department of Education Teacher Certification Section, in reference to Jayne Cobbs' experience as a Media Instructor was signed by Dr. E.E. James, Chairman of the Union of Concerned Parents. The writing of such a letter shows Dr. E.E. James as chairman with administrative authority. Ed James is also involved with the Journalism/Theatrical Program as the Journalism Coordinator. His position on the contract conflicts with supervisory efforts of the Executive Director, Fred Bacon.

Recommendation:

A notarized statement should be submitted to the Division of Employment and Training, identifying all members of the Board of the Union of Concerned Parents, Inc. by full name and present position immediately.

Fiscal Review:

The following information was reviewed for accuracy and completeness:

1) staff and participants' timesheets
2) cancelled checks
3) vouchers and invoices
4) general ledger
5) travel vouchers and back-up for travel vouchers
6) financial capabilities for managing and maintaining accurate records

Concern:

On January 11, 1980, a check for $2,802.31 was deposited in the Journalism/ Theatre account number 50-0143-82. No record exists as to the source of the check.

Recommendation:

The Operator should always keep a record of checks received and their correct amount.

The Operator should verify all information concerning this check.

Concern:

Union of Concerned Parents paid First Independent Bank on November 6, 1979, a check totaling $1,163.51 for taxes for October 1979. The nature of this tax payment is unclear.

Recommendation:

The Operator should explain the reason for paying the bank taxes after only one month of operation and also list specifically what the $1,163.51 expense covered.

Concern:

The financial expenditures are written on cards which do not adequately record expenditures.

The following information could not be determined:

1) accurate cost category expenditures
2) available monies left in each category after monthly expenses
3) information on cards did not reflect deposits made into contract account.

4) Also, the Operator uses the Monthly Reports of Financial Transaction in an ineffective method for maintaining records of expenditures.

Recommendation:

1) A thorough audit should be completed for this operator.
2) The Manager should be responsible for giving technical assistance on organizing financial information and assuring that the operator's monthly reports and other pertinent financial information is reviewed regularly for accuracy.

Concern:

The following discrepancies were found on the travel vouchers:

1) Marcella Williams - travel performed October 25, 1979, to November 2, 1979. Marcella Williams departed 5:00 a.m. returned 6:30 p.m. Total of voucher was $340.00; a) Voucher under-charged by $20.00, b) In addition, the voucher did not indicate whether it was paid or remained unpaid, c) Information from cancelled check was not transferred to the travel voucher.

2) Linda Yvette Fulton - travel performed October 30, 1979 (departed 3:30 p.m.) thru November 1, 1979 (returned 5:30) total of voucher was $80.00. a) Travel voucher under-charged by $10.00, b) There was no information to indicate how she traveled to the Statewide C.E.T.A. Conference, c) Travel voucher was prepared November 16, 1979, two weeks after the actual travel occured.

3) Fred L. Bacon - travel occured October 22, 1979 thru October 26, 1979, from Sarasota to Tallahassee to meet with YACC staff members from October 22-24, 1979 and YETP on October 26, 1979. Travel voucher states Bacon left at 12:00 p.m., a) no return time indicated on October 26, b) no reference to October 25, expenses, c) the form has no signature of authorized person approving travel, d) form was completed November 16, 1979.

Further concerns about travel expenses:

1) No mileage was indicated for personal car usage
2) No airplane tickets were maintained for records
3) Minimum signatures on travel vouchers of authorized persons approving travel expenses
4) Travel vouchers were not completed in a timely manner.

Recommendations:

1) The Manager should schedule a visit to offer the Operator technical assistance in completing the travel vouchers correctly.

2) Previous travel by staff should be verified and resubmitted to authorized individuals for approval. All back up information should be attached.
3) All paid vouchers should be indicated on the travel form by check number. Also, the date the amount was paid should be indicated and initialled by the bookkeeper.
4) The Operator should be cautioned to complete the travel vouchers in a timely manner.

Exit Interview:

An exit interview was held with the Executive Director and Journalism Coordinator. A discussion occured about the problems cited within the fiscal system.

Comments:

1) A fiscal review of reporting techniques and reported expenditures is recommended.

2) It is also recommended that the manager become more involved with financial management and reported expenditures of the program. If proper technical assistance is given to the Operator on completion of forms (travel), knowledge on allowable costs (purchasing items), and and budget requirements some of the present problems could be eliminated.

3) Attention should also focused on the high rental rates paid to the landlords of the building in which the program operates and the program's long distance telephone calls. For example, the Operator pays monthly rent to Clarke Developments $575.00 and Nelson Hessee Cyril firm $650.00. This is an enormous amount of rent paid monthly. The telephone bill is costly because calls are to Salt Lake City, Utah; Philadelphia, Pennsylvania; Tampa, Florida; and Los Angeles, California. The Operator should be cautioned to be as thrifty as possible.

4) The Manager should arrange for all reportable property to be tagged by the Property Manager as soon as possible.

April 23, 1980

State of Florida
Department of Labor and
Employment Security
Mr. Steve H. Campora, Director
Division of Employment and Training
2551 Executive Center Circle, West
Tallahassee, FL 32301

Dear Mr. Campora:

Enclosed please find a response to the Monitoring Report of Fiscal Year 1980, Comprehensive Employment and Training Act Project (#80ET-90-12-00-08-003). This response is addressing the Monitoring Report prepared by Ms. Sandra D. Dorsett and Mijanou Alexander of the Independent Monitoring Bureau, after their visit of February 28-29, 1980.

The Union of Concerned Parents, Inc. (UCP) is filing this written monitoring response in accordance with the Division of Employment and Training (DET) procedure. In addition, UCP requests and demands an opportunity to meet with Mr. James Matthew - Head of the Independent Monitoring Bureau, Ms. Sandra D. Dorsett and yourself as soon as possible. This demand is generated by what UCP believes to be a bias, prejudice and unsubstantiated monitoring report. UCP believes that the monitoring report, is a product of an untrained, hostile, ill-prepared and incompetent individual of the Independent Monitoring Bureau, Ms. Sandra D. Dorsett.

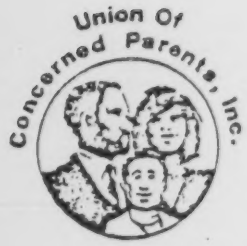
Please notify me as soon as a meeting can be arranged. If I can be of any further assistance, please feel free to contact me,

Sincerely,

Fred L. Bacon
Exectuvie Director

FLB:bt

Suite 202-D • 2080 Ringling Boulevard • Sarasota, Florida 33577
• Phone (813) 366-8004



UNION OF CONCERNED PARENTS, INC.
RESPONSE TO MONITORING REPORT (DET)

FISCAL YEAR 1980 TITLE IV YETP

Date of Response: April 22, 1980

Date Of Monitoring Visit: February 28-29, 1980

Contractor: Union of Concerned Parents, Inc.
2080 Ringling Boulevard
Suite 201-B
Sarasota, Florida 33577

Contract Signator: Mr. Eugene Carnegie

Contact Person: Mr. Fred L. Bacon

Contract Number: 80ET-90-12-00-08-003

Contract Amount: $315,000.00

Effective Dates: October 1, 1979 thru September 30, 1980

Program Activity: Transitional Services and On-The-Job Training

Monitoring Staff: Ms. Sandra D. Dorsett and Mijarou Alexander,
Employment and Training Specialists I

INTRODUCTION:

The Union of Concerned Parents, Inc. (UCP) is a non-profit community base organization located in Sarasota, Florida. Our agency as it relates to this report is operating a CETA Title IV (YETP) Program.

STATEMENT OF PURPOSE:

To train minority male/female youths between the ages of 16-21 for positions in

the Theatre/Journalism field and expose these youths to the career opportunities available in these fields. To train participants/student media instructor in producing/directing video-tape productions of post secondary institutions with schools of Journalism, and stageing the video-tape productions to high school students around the State of Florida; to increase the number of minorities enrolled in schools of Journalism and Theatre company.

Modification One (1) - U.C.P. modified its YETP Contract in order to provide for the establishment of video-taped packages of programs throughout the State sponsored by the D.E.T. by June 15, 1980.

OVERALL GOALS:

1. To increase the number of minorities enrolled in post secondary institutions with schools of Journalism.

2. To increase the number of minorities and females employed in theatre productions companies.

3. To expose five hundred (500) youths to career opportunities available to them through workshops and seminars in the Journalism/Theatre fields.

4. To train twenty (20) youths in the area of Theatrical Technicians for unsubsidized employment.

5. To develop a mechanism for theatre companies personnel administrative to hire and promote minorities and females to decision-making positions with their companies.

6. To produce five (5) video-tape productions on information relating to post secondary institutions with schools of Journalism along with brochures and an information booklet on the careers in the area of Theatrical Technicians.

7. To make available at the junior and senior high school level an information exchange between post secondary institutions with schools of Journalism and potential minorities Journalism students.

8. To develop a program package for replication by other employment and training agencies.

OVERVIEW:

U.C.P. will address each of the concerns expressed by Ms. Dorsett in the Monitoring Report. However, U.C.P. believes that in order to fully understand the make-up and characteristics of this Monitoring Report, an overview is needed.

On Thursday, February 28, 1980, Ms. Dorsett contacted me at 11:30 a.m. to inform me that she was in transit to the offices of U.C.P. During that telephone conversation, Ms. Dorsett informed me that she was traveling Highway 301. I informed Ms. Dorsett that if she would come South on 301, she would see a Greyhound bus station

and I would meet her there, if she called upon arrival, to direct her to U.C.P.'s office. At 12:30 p.m., I met Ms. Dorsett and Ms. Alexander at the aboved mentioned bus station. Because the hotel rooms had only been reserved until 1:00 p.m., we proceeded to the hotel. After Ms. Dorsett and Ms. Alexander checked into the hotel, the desk clerk and doorman extended the services of the hotel to Ms. Dorsett; her conversation to the hotel staff was short, pointed, and argumentative. During Ms. Dorsett's conversation with the hotel staff, Dr. E.E. James, II and myself was given the focus of her attention. As an after thought, it is my belief that Ms. Dorsett's short, pointed and argumentative conversation with the hotel staff was directed at Dr. James and myself. This belief was substantiate by the events that followed.

Upon leaving the hotel lobby, Ms. Dorsett all at once could not recall my name nor Dr. James name or the name of the organization we represented. This loss of memory came in spite of the fact that I had had several past conversations with Ms. Dorsett, excluding our conversation at 11:30 a.m. that morning. Because Dr. James and I are professionals, we overlooked the incident and ask Ms. Dorsett if she would like for one of us to accompany she and Ms. Alexander to the U.C.P. offices. Ms. Dorsett informed us that she did not want Dr. James or myself to accompany she and Ms. Alexander to U.C.P. offices, adding that she would be able to find U.C.P.

At 1:30 p.m., February 28, 1980, Ms. Dorsett and Ms. Alexander arrived at the U.C.P. offices. Ms. Dorsett identified herself and Ms. Alexander as Monitors representing the Independent Monitoring Bureau, and that they were here to monitor the U.C.P./ Y.E.T.P. contract. Ms. Dorsett went on to indicate that she had heard of U.C.P., Dr. James, II and myself "from conversations concerning the problems others have experienced in monitoring the U.C.P.". I am unaware now, as I was then, of any problems experienced by the Independent Monitoring Bureau in monitoring U.C.P. This statement added credence to my belief, that the resulting Monitoring Report shows Ms. Dorsett's bias and prejudice toward U.C.P., Dr. James and I. It must be remembered, that an half hour before, Ms. Dorsett could not even recall Dr. James's name, my name or the organization's name. Ms. Dorsett went on to add that she "would not be intimidated". Continuing, Ms. Dorsett stated that she did not want any problems from us. Dr. James and I then explained to Ms. Dorsett that we were not intimidated and that we anticipated no problems. At that time, I decided not to further address the intimidating charge, because it was my belief that I was conversing with a bias individual.

Because of the participants who were running the production "The Tempest", on February 28, 1980, at 2:00 p.m. at the Asolo State Theatre (a training site), Dr. James and I suggested to Ms. Dorsett that she may wish to start her monitoring visit at the Asolo Theatre. Ms. Dorsett response to the suggestion was that she did not have time today (February 28, 1980), but that she would get to them. It is my belief that U.C.P.'s first responsibility is to the participants and I impart that belief to my staff. But from the technical stand point of monitoring, it was a timely situation to monitor the participants. The situation was: (1) The participants were all together at one location. Normally, participants are at various shops (wardrobe, prop, etc.). (2) The participants were working with the lights, sounds; they made the wardrobe; painted the scenes and constructed the set. (3) The opening of the "Tempest" at the Asolo State Theatre was a very important moment in the lives of our participants. I am sorry no one from your office felt it important enough to attend.

Ms. Dorsett then requested records that she was given.

As the exchange of information between myself and Ms. Dorsett continued, I attempted to address concerns as they arose. As our conversation continued, Ms. Dorsett informed me that I did not have to response to her concerns, because her concerns would be in the report. I continued to address Ms. Dorsett's concerns with the understanding that she would prefer that I address the Monitoring Report when it came.

On Friday, February 29, 1980, Ms. Dorsett and Ms. Alexander arrived at U.C.P. at 10:30 a.m. Ms. Dorsett resumed raising concerns that she did not want me to address. Ms. Alexander accompanied by Mr. Tony Majors and Dr. James went to monitor the participants on February 29, 1980.

At 5:00 p.m., on Friday, February 29, 1980, as Ms. Dorsett and Ms. Alexander prepared to leave, Dr. James and I asked for an exit interview. Ms. Dorsett informed us that if we made it fast, she would consent. After fifteen (15) minutes, the interview ended and Ms. Dorsett and Ms. Alexander left U.C.P.

CONCERNS LISTED IN THE MONITORING REPORT:

I. Participants File

Ms. Dorsett's first concern relates to the participants files. Listed as missing or ill-prepared forms in participants files are: (1) CETA application (2) Status Change Notice (3) Allowance Entitlement (4) Intake Worksheet (5) Verification Form. All intake is performed by the local Prime Sponsor of Sarasota and Manatee Counties. This is done in an effort to insure harmonious relations and linkages with the Primes. However, copies of all of the above were in the files. There is also a check list in each participant's file outlining all forms in the files (see attachment one (1)). On Monday, April 14, 1980, the Contract Manager reviewed the participants files responsing to this Monitoring Report and found them in order.

II. Grievance Statement In Participants Files

Ms. Dorsett's concern is Grievance Statement as it relates to participants. A Grievance Statement is in each participants file (see attachment two (2)).

III. Expired Bond

Ms. Dorsett's concern is the bond for U.C.P. expired December 1, 1979. Ms. Dorsett was given a copy of our Bonding Statement. This Bonding Statement clearly states that U.C.P. has a bond of indefinite duration which was renewed October 1, 1979 (see attachment three (3)).

IV. Tony Majors

Ms. Dorsett's first concern is that Mr. Major is the Theatrical Director and also holds a position according to the resume in his personnel file outside of U.C.P., as a Vice-President of Full Spectrum Video and Film, Inc. And that the

corporation's address is 2080 Ringling Blvd., which is in the same building that U.C.P.'s offices is located. I know of no D.E.T. procedure forbidding employees of grantee's with D.E.T. from engaging in business. U.C.P. rents office space from Clarke Development, and I have no say in who else Clarke Development rents office space to; 2080 Ringling Blvd. (The Clarke Building) is an office building with space for rent.

Ms. Dorsett's second concern was that U.C.P. purchase ten (10) cartons of Sony Betamax L 500 cassettes from .ull Spectrum Video; which she stated was in direct violation of contract assurances and certifications. It is my responsibility to purchase all goods and services for this contract. In that no other employee has this responsibility, Mr. Major cannot and could not use his position to effect my decision. Incorporated in by responsibility of Purchasing is the responsibility to purchase at the lowest price possible when the quality is equal. D.E.T. cannot require me to, and I am sure would not want me to, waste taxpayers money. Full Spectrum had the lowest bid (see attachment four (4)); competitive bids are enclosed also.

V. Staff Files

Ms. Dorsett's concerns are: (1) No written evaluation were in staff file. The Personnel Policy states the evaluation will be done three (3) weeks before an employee completes his probation. In accordance with U.C.P. Personnel Policy, no evaluations were due (see attachment six (6)). Ms. Dorsett has a copy. (2) No documentation of the resignation of Mrs. Elvira Chester and Ms. Linda Fulton (see attachments seven (7) and eight (8)). (3) Status of Ms. Shelia Baker is uncertain (see attachment nine (9)). (4) Minimum information maintained on Mrs. Carol James and no resignation letter (see attachment ten (10) and eleven (11)). (5) Mr. Richard Haggerty has no file. Mr. Haggerty is not and has not been a staff member of the Y.E.T.P. contract. Check number 129 represented pay to Mr. Haggerty for employment in the Y.A.C.C. Project; the check came from funds borrowed by U.C.P. to operate Y.E.T.P. and Y.A.C.C. until D.E.T. release contract funds in December, 1979.

VI. Letter Written By Dr. James as Chairman

Ms. Dorsett's concern is that Dr. James wrote a letter on the behalf of Ms. Jane Cobbs concerning her teacher certification. This is well within Dr. James powers as Chairman Emeritus. Mr. Eugene Carnegie is legally the Chairman of U.C.P. and accordingly his Chairmanship is on record with the Secretary of State and he is the contract signator (see attachment twelve (12)). Additionally, all of this information is in the official contract on file with D.E.T.

VII. Check of January 11, 1980

Ms. Dorsett's concern relates to a check of $2,802.31 deposited in the Journalism/Theatre account number 50-0143-82 (see attachment thirteen (13)).

VIII. Check Paid To First Independent Bank

Ms. Dorsett's concern relates to a check paid to First Independent Bank on November 6, 1979 in the amount of $1,163.31 for taxes for October, 1979. (see attachment

fourteen (14) and fifteen (15)).

IX. Travel Vouchers

Ms. Dorsett's concerns relates to: (1) Ms. Marcella Williams travel of October 25, 1979 to November 2, 1979, expressing that she was underpaid by $20.00. This is an incorrect statement as related to U.C.P. Travel Policy (see attachment sixteen (16)). (b) The voucher was not marked paid (see attachment seventeen (17)). (2) Ms. Linda Yvette Fulton underpaid (see attachment sixteen (16)). (b) No indication how Ms. Fulton traveled. Ms. Fulton used a U.C.P. staff car. (c) The travel voucher prepared two (2) weeks after travel. I am unaware of any D.E.T. procedure dictating the time to prepare travel vouchers. Please provide information that relates to this. (3) Mr. Fred L. Bacon travel, October 22, 1979 to October 26, 1979. (b) No return time. Return time added. (c) No reference to October 25, expenses. Expenses not at cost to this contract. (d) No authorized signature on travel voucher. My signature is on the voucher and no one need to approve my travel. (e) Voucher completed on November 16, 1979. I am unaware of any D.E.T. procedure dictating the time to prepare travel vouchers.

X. Further Concerns

(1) No mileage indicated for personal car usage. U.C.P. staff does not charge personal car use. (2) No airplane tickets maintained; airline tickets are maintained. (3) Minimum signatures on travel vouchers. My signature is on all travel vouchers as I have the right to approve and disapprove all travel. (4) Travel vouchers not completed timely. I am unaware of any D.E.T. procedure dictating the time to prepare travel vouchers.

REVIEW OF MONITOR'S COMMENTS:

(1) A fiscal review of reporting techniques and reported expenditures is recommended.

U.C.P. demands a unbias fiscal review by a competent and trained person.

(2) It is also recommended that the manager become ore involved with financial management and reported expenditures of the program. If proper technical assistant is given to the Operator on completion of forms (travel), knowledge on allowable costs (purchasing items), and budget requirements some of the present problems could be eliminated.

(3) Attention should also focused on the high rental rates paid to the landlords of the building in which the program operates and the program's long distance telephone calls. For example, the Operator pays monthly rent to Clarke Developments $575.00 and Nelson Hessee Cyril film $650.00. This is an enormous amount of rent paid monthly. The telephone bill is costly because calls are to Salt Lake City, Utah; Philadelphia, Pennsylvania; Tampa, Florida; and Los Angeles, California. The Operator should be cautioned to be as thrifty as possible.

U.C.P. office space cost $6.31 per sq. ft., which is reasonable and competive

for Sarasota. Philadelphia, Pennsylvania; Tampa, Florida, and Los Angeles, California represent Theatre Centers. It is important to the quality of my Project that I maintain linkages with these Theatre Centers. Salt Lake City, Utah is fiscal headquarters for Y.A.C.C.; and Y.A.C.C. paid its share of the telephone bill as records will indicate, if someone would take the opportunity to look.

(4) The Manager should arrange for all reportable property to be tagged by the Property Manager as soon as possible.

N/A

U.C.P. COMMENTS:

U.C.P. requests and demands an opportunity to meet with Mr. James Matthew - Head of the Independent Monitoring Bureau, Ms. Sandra D. Dorsett and yourself as soon as possible. This demand is generated by what U.C.P. believes to be a bias, prejudice and unsubstantiated monitoring report. U.C.P. believes that the monitoring report, is a product of an untrained, hostile, ill-prepared and incompetent individual of the Independent Monitoring Bureau, Ms. Sandra D. Dorsett.

Please notify me as soon as a meeting can be arranged. If I can be of any further assistance, please feel free to contact me.

STATE OF FLORIDA
DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY
Division of Employment and Training

May 23, 1980

Mr. Fred Bacon
Executive Director
Union of Concerned Parents
2080 Ringling Boulevard
Suite 202-D
Sarasota, Florida 33577

Dear Mr. Bacon:

This is in reply to your April 23, 1980 response to the February 28 - 29, 1980 Monitoring Report prepared by Ms. Sondra Dorsett and Ms. Mijanou Alexander of the Independent Monitoring Bureau Staff.

The Division of Employment and Training has reviewed your response and has found them to be acceptable.

Your cooperation in this matter is appreciated.

Sincerely,

Steve Campora
Acting Director

SC/sdm

Mr. CAMPORA. If it could not be worked out on a face-to-face basis, as they obviously could not after the first meeting we had, we would have auditors look at it and take a look at their report and see what audit exceptions showed up.

Senator HAWKINS. When did that audit occur?

Mr. CAMPORA. Well, it occurred, partially, at a later date. I would have to look at the itinerary of the title VIII. The act funds were audited, but we did not get an audit until later on the journalism aspect, because there were actually two contracts with Union of Concerned Parents.

One was title VIII, Young Adult Conservation Corps, and the other was under Governor's special grants funds—what we call the journalism funds.

Senator HAWKINS. Could you provide us, for the record, when the audit was finally ordered?

Mr. CAMPORA. They had a monitoring visit in September—the following September, but I do not think——

Senator HAWKINS. 1980?

Mr. CAMPORA [continuing]. Yes. I do not think the actual, first, real audit came when we requested Alexander Grant to go in, on the journalism program, not the YACC program. The YACC program had been audited previous to that, sometime in July.

Senator HAWKINS. I think your testimony, and that of the other witnesses here today, indicates that the procedures that you employed, in an effort to correct these kinds of program deficiencies, are really complex, cumbersome and time consuming, especially since Florida has some extra special problems because of APA and the sunshine law and other regulations that we have which a lot of people feel should prevent these things from happening prior to their occurrence, because of everything being done in the open and the sunshine.

Do you have any recommendations that I can take back with me in this record today that would improve these procedures so that this will not occur in the future?

Mr. CAMPORA. Only that one, Madame Chairman. In going through this thing with the Union of Concerned Parents, I think it was one of the first programs that we had terminated as a department.

You have to realize that that whole process—CETA process—was relatively new to the Department. And, when it came over, we recognized there were serious problems with it and we started to deal with it. Now, we may have been a little bit tardy in dealing with it, but it took us a while to recognize it.

And I think the Federal assessment, that Mr. Payne mentioned, later pointed out the fact that we did have serious problems. We knew that before, particularly administratively, in dealing with this area.

Most people, I think, forget that in CETA—CETA grew so rapidly, from the early 1970's up to the present time, that it was difficult to deal with all that growth. I do not think it would make any difference if you were in the private sector or in Government. You would have trouble dealing with the growth, in both money and personnel required to administer that program, that came over CETA from the early 1970's until now.

I think many of the good ideas, such as audits and monitoring and all that, came in with Congress changes in 1978. It helped immensely, but you need to realize that it takes a year or 2 years for those changes to start taking effect.

Many of the early abuses of CETA would be impossible now, because of some of those changes. And I think we have also, on the State government level—and I am sure some of the prime sponsors would say the same thing—learned how to better deal with it and how to better control it and manage it.

I think, in this process, eventually that program was canceled. And it is a tough thing for us to decide at what point it would become an adversary with the operator.

First of all, if we get an adverse monitoring report, the first thing we have to do is work with them, give them technical assistance, and see if we can make the corrections. Now, if we find fraud, or something like that, it becomes a different case.

In this case, we thought there might be a possibility of fraud and that has all been turned over to the Federal officers and attorneys for them to take it from there.

But I think the process is working much better now than previously. But I think, when you talk about the hearing process, we need to address the problem that we are faced with, with the fact that we cannot, on the local level, dovetail the Administrative Procedures Act in with the Federal process. It does not fit and it causes us a great deal of anguish.

Now, I think that since there is a due process, I do not think any of the State people would have any feelings at all about taking that State APA remedy out and just leaving that one remedy, the Federal appeals process. It would be much clearer, easier on operators, administrators, and everybody concerned.

Senator HAWKINS. Why do you feel that Florida is the one State out of the eight, in the regional area, that received such a low rating?

Is Florida that backward, when it comes to comparing us with the other seven or eight States?

Mr. CAMPORA. No. The problem—you take somebody like North Carolina, for example, they have one prime sponsor across the State and that is it.

Senator HAWKINS. Who is the prime sponsor in North Carolina?

Mr. CAMPORA. South Carolina. I am sorry.

So we have in the twenties of prime sponsors and then we have all these counties that come under balance of State. It is a much more difficult program to manage.

That placed with the fact that administratively we did not start out on a good foot. We had administrative problems and we have taken steps to make changes; and I think those corrections have come about.

I think Mr. Payne's testimony to the fact that great improvement has been shown in the last year, since the last Federal assessment, is evidence to that.

Now, we are going through, right now, the Federal assessment for this year and I think that will show that we have made great evidence in our administrative control of the program, since last

year when we received that rather poor rating in our Florida State programs.

Florida is a hard State to manage, as CETA goes. That is part of it.

Senator HAWKINS. Do you have some written recommendations, if Florida gets money again on a block grant; how they are going to manage it better?

Mr. CAMPORA. No, not at this point I would not, other than my testimony that I have submitted.

Senator HAWKINS. Mr. Orr, I really appreciate your coming here today to assist us in our evaluation of the federally funded CETA programs.

I understand that you have a brief statement that you would like to read into the record.

Mr. ORR. Thank you very much, Senator Hawkins. I appreciate the opportunity to be here this morning.

I am secretary of the Department of Labor and Employment Security and, as such, I have responsibility for the administration of the prime sponsorship; that is those 40 counties which fall directly under the Government as the State balance of State.

I will address my remarks, specifically, to those programs. At the onset, I would like to say that CETA works, in spite of the adverse publicity which you hear about the program. I am sure that you probably have some more specific information with your broad, investigative powers that would tend to support a one sided, negative view of CETA.

Nevertheless, in the absence of a definitive national employment and training policy and in the context of all other public and private jobs programs in this country, I say CETA works.

CETA has had, and will continue to have, some serious problems. First of all, it is a social service program paid for by the taxing populace and, as such, it has been highly visible. And it is a target for those persons who are concerned about the high cost of inflation and there is a lot of public anxiety over that.

And, then, the negative image of CETA, beginning with its poorly planned implementation in 1973 and compounded by abuse of its public service employment components, during the 1974–75 recession, has continued as the biggest problem of all.

But I think that in spite of that the congressional support of the program indicates that the program does work.

There is no doubt that the negative press has a chilling effect on Congress, which has not enacted an appropriations bill to fund CETA since 1978.

There is also no doubt that the chill reached Federal administrators in the U.S. Department of Labor, in their sampling of a breeze on Capitol Hill, it quickly determined which way the wind was blowing and responded by imposing a myriad of new rules and regulations that seemed to change as often as the sun rose.

And just for the record and just to note, in fiscal 1980 there were 404 changes in the rules that operate the program; that is according to NATO.

It is an administrative nightmare and I think that most people that come off on a State level will tell you that. As an example, just imagine the difficulties that we have in planning the dispensa-

tion of moneys to local program operators, when we do not know what our actual budget is going to be and we will not know until the last minute in most cases.

Yet, Congress has continued to fund CETA, as I said. I conclude that it has done so because CETA works.

Since you are dealing with hearing testimony here and, dealing with some more specific matters, that is the operation of certain CETA programs in Florida, I will provide you with some of the background information that I hope will enhance your perspectives.

I am a relative newcomer to Government, having been appointed to this post in January 1979. The Department of Labor and Employment Security had been in existence less than 6 months, comprised of program units formerly situated in other State agencies.

In October of that year, the CETA program was transferred to this Department, and became a part of my responsibilities.

I will not elaborate on the administrative upheavals involved in the logistics of a major reorganization of other program units, which was occurring at that time, and the total restructuring required to bring the CETA program into the Department.

But, during the review and planning of the new CETA division, it became apparent that we had inherited something our personnel office called "95 appointment discrepancies." I think the representative from the State auditor general's office mentioned that before. That had occurred over the past the previous 5 years.

And what that meant was previous program administrators had hired and promoted people who did not meet the qualifications for the jobs they occupied.

Since the individuals affected had accepted the jobs in good faith and had not misrepresented their qualifications (we checked all this out), fairness to them prohibited us from firing or demoting them.

The administrative actions to resolve the problems, including a freeze on all vacant positions, extended into August 1980.

During that time, the Division of Employment and Training limped along minus 20 to 30 percent of its approved number of personnel. Many of the vacant slots were management-level positions approved in the reorganization package.

The reason I wanted you to know this is because the matters you intend to elicit—you have elicited—testimony about include some management concerns that resulted from actions that occurred during the time I have described.

A final point, although I reiterate the public misconception of CETA still is the major problem the program must deal with, the concerns expressed by Members of Congress did have some good results in the amendments of 1978.

These amendments imposed needed monitoring and auditing provisions that have tightened up some weak areas of the law that allowed these abuses to occur and that led to some valid criticisms.

I do see a significant problem that remains however. That is the holding of CETA prime sponsors and their governing authorities liable for errors and discrepancies in administering CETA programs.

This failure to allow for an acceptable level of human error is an unreasonable standard of operations found nowhere else in this society.

Thank you very much. I will answer your questions.

Senator HAWKINS. Thank you, Secretary Orr.

Let us go back. You said in October of 1979 you became involved in CETA?

Mr. ORR. Yes, ma'am.

Senator HAWKINS. In February of 1980, the monitoring bureau report to Mr. Campora reveals specific concerns about the management and administration of UCP's journalism program.

Then, in the summer of 1980, your own Inspector General's internal auditor revealed additional evidence of problems in yet another UCP grant.

Can you state why the Department did not move to resolve this matter until February of 1981 which is a year later?

Mr. ORR. Well, we did move to resolve the matter before February of 1981.

As I recall the sequence of events, when I inherited the program in October of that year and the whole process of reorganization and review, it became very clear to me that we had inherited some very serious management problems.

In an effort to straighten that out, at the same time we had to keep the program going. It was the beginning of a new fiscal year and we had operators out there with which we were negotiating contracts.

In looking at the top management of that program, I had serious concerns about that.

However, I did not move immediately to make any changes in personnel; rather, I was looking at ways to make the current management better before I decided to make a complete change.

At one point at the end of February or somewhere along there, I did decide to make a change and I sent Steve over there, who was another division director, as the acting director of the program, at the same time that all of these problems were occurring.

One of the problems that we had at that time was, in this particular instance the program operator was constantly charging racial bias, harassment, and that some of the managers over there were determined not to give them technical assistance.

So I had to investigate that and make sure that the charges that the operator was leveling against the agency were, in fact, not true.

At the same time, before I could move on having something done about the monitoring report, I wanted an independent investigation and that is what the Inspector General's Office did for me.

That does not say that the time element involved in moving was such it left something that was not being done, but there was a sequence of events that we had to follow to make sure that we documented our case problem.

Senator HAWKINS. What were your findings, when you investigated the charges, Mr. Orr?

Mr. ORR. Well, when we found that through my personal contact with the operator of the program—the executive director of the program—and through the manager of the program, and giving them technical assistance to take corrective action, to take correc-

tive steps to correct these deficiencies, did not work. And I was determined, at that point, that this program was beyond any hope of saving and that is when we moved to terminate.

Senator HAWKINS. But in September of 1980, which was months after the audit reports of your internal auditing bureau, you personally applied to the U.S. Department of the Interior for the $74,000 grant, as I understand it, to be awarded to the Union of Concerned Parents program.

Mr. ORR. Well, that was a part of the act grant to the State, yes.

Senator HAWKINS. Was that grant approved by anybody but you?

Mr. ORR. Well, the request is made to the regional office and if it is approved at that level, then the funds are sent down to the State.

Then the operators of the various programs apply to us for approval, which goes to the State of Florida Training Council.

They review all applications for grants. They review the proposals for all the operators across the State and they make the decision about which one of them they are recommending for funding.

In all fairness, I have to say, at that point, the procedure for determining the eligibility for the awarding of these grants had not been perfected to the point that it is today.

One of the things that was pointed out from the region, in talking about some of the deficiencies we inherited, there was not, in place, a list of qualified operators from which we would choose or from which we would accept proposals.

At that point in time, just about anybody who was submitting a proposal, was approved, if funds were available.

Senator HAWKINS. Even though those people applied, an adverse finding did not make them ineligible?

Mr. ORR. No.

Senator HAWKINS. Would it today?

Mr. ORR. Yes, ma'am.

[The following material was subsequently supplied for the record:]

Form Approved OMB No. 29-R0210

FEDERAL ASSISTANCE

2. APPLICANT'S APPLICATION — a. NUMBER: 80-11(R); b. DATE: 1980 9 23

3. STATE APPLICATION IDENTIFIER — a. NUMBER: 810248; b. DATE ASSIGNED: 1980 8 19

1. TYPE OF ACTION: ☐ PREAPPLICATION ☒ APPLICATION ☐ NOTIFICATION OF INTENT (Opt.) ☐ REPORT OF FEDERAL ACTION

4. LEGAL APPLICANT/RECIPIENT
a. Applicant Name: Department of Labor & Employment Security
b. Organization Unit: Division of Employment & Training
c. Street/P.O. Box: 2551 Executive Center Circle West
d. City: Tallahassee
e. County: Leon
f. State: Florida
g. ZIP Code: 32301
h. Contact Person (Name & telephone No.): Charles Russell 487-2950

5. FEDERAL EMPLOYER IDENTIFICATION NO.: 59-6001874

6. PROGRAM (From Federal Catalog) — a. NUMBER: 10.663; b. TITLE: Comprehensive Employment and Training Act (Title VIII)

7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT
The Young Adult Conservation Corps program will provide employment for young adults, ages 16-23, to accomplish needed conservation work and other projects of public nature on non-federal lands and waters.
State Grant Agreement
Obligation Incurred 10-9-80 Administratively Approved

8. TYPE OF APPLICANT/RECIPIENT: Enter appropriate letter: A

9. TYPE OF ASSISTANCE: Enter appropriate letter(s): A

10. AREA OF PROJECT IMPACT (Names of cities, counties, States, etc.): Name: State of Florida

11. ESTIMATED NUMBER OF PERSONS BENEFITTING: Date: 107 127

12. TYPE OF APPLICATION: Enter appropriate letter: A

13. PROPOSED FUNDING
a. FEDERAL: $ 1,212,137.00
b. APPLICANT: .00
c. STATE: .00
d. LOCAL: .00
e. OTHER: 228,300.00
f. TOTAL: $ 1,440,437.00

14. CONGRESSIONAL DISTRICTS OF: a. APPLICANT: State; b. PROJECT: Statewide

15. TYPE OF CHANGE (For 11c or 11e): Revision for FY 81. Enter appropriate letter(s): B

16. PROJECT START DATE: 1980 10 01

17. PROJECT DURATION: 12 Months

18. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY: 1980 9 23

19. EXISTING FEDERAL IDENTIFICATION NUMBER: MP 80-11

20. FEDERAL AGENCY TO RECEIVE REQUEST: USDI/USDA Atlanta, GA 30303/Atlanta, GA 30367

21. REMARKS ADDED: ☐ Yes ☐ No

22. THE APPLICANT CERTIFIES THAT ▶ a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.

b. If required by OMB Circular A-95 this application was submitted, pursuant to it, to the appropriate Clearinghouse, or comparable clearinghouse, and all responses have been attached:
a) State Clearinghouse — ☒ Yes ☐ No — Responses attached
b) ☐ ☐
c) ☐ ☐

23. CERTIFYING REPRESENTATIVE — a. TYPED NAME AND TITLE: Wallace E. Orr, Secretary Department of Labor & Emp. Sec.; b. SIGNATURE: W. E. Orr; c. DATE SIGNED: 9/27/80

24. AGENCY NAME: USDOI - OFFICE OF YOUTH PROGRAMS USDA-FOREST SERVICE

25. APPLICATION RECEIVED: 1980 09 26

26. ORGANIZATIONAL UNIT

27. ADMINISTRATIVE OFFICE

28. FEDERAL APPLICATION IDENTIFICATION

29. ADDRESS: 75 SPRING STREET, ATLANTA, GEORGIA 30303; 1720 PEACHTREE Rd. N.W., ATLANTA, GEORGIA 30367

30. FEDERAL GRANT IDENTIFICATION

31. ACTION TAKEN: ☒ a. AWARDED; ☐ b. RE-JECTED; ☐ c. RETURNED FOR AMENDMENT; ☐ d. DEFERRED; ☐ e. WITHDRAWN

32. FUNDING
a. FEDERAL: $1,212,137.00
b. APPLICANT: .00
c. STATE: .00
d. LOCAL: .00
e. OTHER: 228,300.00
f. TOTAL: $1,440,437.00

33. ACTION DATE ▶ 19

34. STARTING DATE: 1980 10 01

35. CONTACT FOR ADDITIONAL INFORMATION (Name and telephone number): USDA/FS (404) 881-7881 FTS 257-7881; USDOI/OYP (404) 221-2751 (FTS) 242-2751

36. ENDING DATE: 1981 09 30

37. REMARKS ADDED: ☐ Yes ☒ No

38. FEDERAL AGENCY A-95 ACTION

a. In block above noted, any comments received from clearinghouses were considered. If adverse comments in case under provisions of Part I, OMB Circular A-95, it has been or is being made.

b. FEDERAL AGENCY A-95 OFFICIAL (Name and telephone no.)

STANDARD FORM 424 PAGE 1 (10-79)
Prescribed by GSA, Federal Management Circular 74-7

APPROVED [illegible] F.S. 3114
DATE 9/30/80 9/29/80

Mr. ORR. At that point, there had not been the definitive decision about that audit report that it is today. So at that point, they were still eligible for funding.

Senator HAWKINS. But you were aware; you had the information?

Mr. ORR. Yes, we were aware, sure.

Senator HAWKINS. Did you, or anyone in your Department, inform the Interior Department of the previous problems with UCP, when you applied for new funds?

Mr. ORR. A report was sent to the region but not to the Interior Department.

Senator HAWKINS. Why? Why not?

Mr. ORR. I think—could I ask Dr. Russell to respond to that? Dr. Russell is the Director of the Division.

[Addressing Dr. Russell.] She wants to know why, at that time, a report was not sent to the Department of the Interior.

Dr. RUSSELL. [Unsworn testimony.] The only thing I can say at this point, ma'am, it was probably an oversight. I deal directly with the grant officer in region 4, Department of Labor.

Members of my staff deal directly with a representative from Mr. Day's office, routinely. I do not know why they did not submit a report at this time. In fact, this is my first knowledge of the fact that he had not received an incident report and the fact that he did not know anything about the problems with UCP until June of this year.

The whole world has known about this, for months before June 15.

Senator HAWKINS. Maybe in Florida, but in Atlanta it is obvious today, from testimony that being in charge of several other States, it did not come to their attention. It seems to me that it is our responsibility, here in Florida, to notify the other people.

Dr. RUSSELL. I understand perfectly. I am just saying, at this point, I do not know how that incident report was not forwarded to the Department of the Interior.

Senator HAWKINS. Would you be able to tell me, today is it written in the procedure, in applying for funding?

Dr. RUSSELL. Well, first of all, we do not use OMB circular A-102 for our program.

Senator HAWKINS. You do not want to use it.

Dr. RUSSELL. No, it is not that. That is not the reason. The Department of Labor promulgated its own rule, I believe, 41 CFR 29-70, which has to do with Federal grants management.

Included in that document is a requirement to submit an incident report. It is somewhat fuzzy with respect to when you should submit one.

But, in this particular instance, I was in direct contact with Mr. Payne. He indicated to me that an incident report would be appropriate at this time, in which case I immediately followed through with it.

And, as a result of my communication with him, he has received any and all documents that have been developed up to this point. But I was not aware that Mr. Day was not receiving the same kind.

Senator HAWKINS. Thank you, Dr. Russell.

Mr. Secretary, a conflict of interest provision in the Code of Federal Regulations states, and I quote: "Each recipient and subrecipient of CETA grant funds shall avoid organizational conflict of interest and their personnel shall avoid personal conflict of interest, and the appearance of conflict of interest, in awarding financial assistance, in the conduct of procurement activities involving funds under the Act," end of quotation.

Are you familiar with that provision——

Mr. ORR. Yes, ma'am.

Senator HAWKINS [continuing]. On conflict of interest?

Mr. ORR. Yes, ma'am.

[The information referred to follows:]

[Excerpt from Employment and Training Reporter]

(b) Each recipient and subrecipient shall avoid organizational conflict of interest, and their personnel shall avoid personal conflict of interest and appearance of conflict of interest in awarding financial assistance, and in the conduct of procurement activities involving funds under the Act, in accordance with the code of conduct requirements for financial assistance programs set forth in 41 CFR 29-70.216-4 (sec. 123(g)).

5-28-80

Published by THE BUREAU OF NATIONAL AFFAIRS, INC., WASHINGTON, D.C. 20037

Senator HAWKINS. Are you aware of the Governor's special grant fund which is used for dispersing Federal CETA money?

Mr. ORR. Yes.

Senator HAWKINS. Did the Union of Concerned Parents and the Florida Association of Minority Business Owners, which is another CETA-funded program, receive money from the Governor's special grant fund, in 1979 and 1980?

Mr. ORR. Yes

Senator HAWKINS. Do you recall the amount?

Mr. ORR. No, I do not recall the amount but we can provide that for you.

Senator HAWKINS. Would you agree, subject to check, it was $95,000?

Mr. ORR. For?

Senator HAWKINS. The Florida Association of Minority Business Owners.

Mr. ORR. It is $95,000?

Senator HAWKINS. Yes. We will provide you with the document. You can check and see if that is correct.

Mr. ORR [examining document]. Ninety-five, yes.

[The document referred to follows:]

MEMORANDUM

DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY

Date August 6, 1981

To Jay Rowell, Senate Subcommittee on Investigations

From Rhode B. Perdue, Research, Development & Evaluation Administrator

Subject GOVERNOR'S SPECIAL GRANT, FISCAL YEAR 1981

Per your request, attached are the following:

1) Final Decisions made by Wallace H. Orr, Secretary, on projects approved for funding

2) Recommendations of the State Employment and Training Council which were submitted to the Secretary for final action

RPG/eak

Attachments

TITLE I, SECTION 105
GOVERNOR'S COORDINATION AND SPECIAL SERVICES, APPROVALS (CONT'D)

PRIORITY	NAME/TITLE	AMOUNT
12	Florida Association of Rehabilitation Facilities, Inc., Handicapped Greenhouse Training Project	138,575.
13	St. Petersburg Economic Development Corp., Community Economic Development Project	110,000.
14	South Florida Coalition for Economic Development, Inc., Phase II: Private Sector Linkage Project	150,000.
15	Florida Council of Community Based Organizations, Inc., CBO Coordination Project	100,000.
16	Department of Health and Rehabilitative Services for the Florida Career Information Delivery System	80,190.
17	Association of Migrant Organizations, Inc., Migrant and Seasonal Farmworker Coordination Project	80,000.
18	Immigration and Minority Affairs, Inc., Indochinese, Haitian and Cuban Refugee Project	123,500.
19	Four College Consortium, Displaced Homemaker Project	325,000.
20	Broward County Minority Builders Coalition Inc., Youth Business Development Project	100,000.
21	Florida State Minority Ventures, Inc.	150,000
22	Suncoast Business Development	150,000.
23	Operation Inmate, Inc.	100,000.
24	North Florida Cooperative Association	100,000.
25	Florida Association of Minority Business Owners	85,000.

Senator HAWKINS. Are you acquainted with Mr. Marvin Davies?

Mr. ORR. Yes, ma'am.

Senator HAWKINS. What is Mr. Davies position in the State administration?

Mr. ORR. I think he is special assistant to the Governor.

Senator HAWKINS. His title is special assistant to the Governor?

Mr. ORR. Yes.

Senator HAWKINS. Do you know how long he has held that position?

Mr. ORR. I think he started out with the transition. He came in before I was there, so he came in with the transition.

Senator HAWKINS. Have you, at any time, discussed the funding of CETA programs through the Governor's special grant fund with Mr. Davies?

Mr. ORR. Yes.

Senator HAWKINS. On what occasions and how many times do you think these discussions took place?

Mr. ORR. Only once that I can remember and that was that year, when I made the final decision about which programs were to be funded.

I discussed those with the Governor's Office, specifically with Gary Smith, and Marvin Davies was present.

Senator HAWKINS. Mr. Gary Smith, who is the Governor's chief of staff, was present——

Mr. ORR. Yes.

Senator HAWKINS. At the time you discussed——

Mr. ORR. Yes, he was one—yes, I discussed it with him.

Senator HAWKINS [continuing]. The special grant fund with Mr. Davies?

Mr. ORR. Yes.

Senator HAWKINS. Are you aware of a memorandum, dated August 29, 1980, from Gary Smith to you, recommending changes in the Governor's special grant fund?

Mr. ORR. Yes. Yes, ma'am.

[The information referred to follows:]

OFFICE OF THE GOVERNOR

AUG 29 1980

The Capitol, Tallahassee, Florida 32301
Telephone: 904/488-1234

Secretary of Labor and Employment Security

MEMORANDUM

To: Wallace B. Orr, Secretary, Department of Labor and Employment Security

From: L. Garry Smith, Jr.

Subject: Final Review of Governor's Special Grants Projects, Under Appropriate Titles

Date: August 26, 1980 2:47 p.m.

I have reviewed the actions of the State and Employment Training Council and your Department's recommendations and recommend the following changes for your consideration and final decision:

Title I, Section 105	Credits
(1) The Small Farm Development Corp. Disapproval - Refer to U.S. Labor Department.	$120,000
(2) Department of Labor - Pasco County Labor Market Survey ($86,250) - Reduce to $63,250	23,000
(3) Florida Council of CBO's Inc. ($249,000) reduce to $100,000	149,000
(4) Broward County Minority Coalitions, Inc. Youth Business Development project ($173,000) Disapproved - Transfer project to Title IV (YETP)	173,000
	($665,000)

From the above total credits of ($665,000) the following in the contingency category should be considered for funding at the below recommended levels:

	Disbursements
(1) Suncoast Business Development	$150,000
(2) Operation Inmate, Inc.	100,000
(3) Florida Department of Commerce Economic Development Coordination Project	40,000

(4)	Florida State Minority Ventures, Inc.	$180,000
(5)	North Florida Cooperative Association	100,000
(6)	Florida Association of Minority Business Owners, Inc.	95,000
		$665,000

Title IV - (YETP)		Credits
(1)	Department of Law Enforcement ($323,133) Reduce to $250,000	$ 83,133
	Community Self-Help Co-Op ($139,102) Disapproval - Refer to Local Prime Sponsor	$ 29,720 ~~139,102~~
(3)	Sam Delevoe Center ($461,383) Reduce to $250,000	211,383
		($433,518)

From the above total credits of ($483,000) the following in the contingency category should be considered for funding at the below recommended levels:

		Disbursements:
(1)	Capital Area Community Action Agency	$93,000
(2)	Mid-Florida Minority Contractors ($115,436)	20,618
(3)	Union of Concerned Parents, Inc. Journalism Project ($360,000)	210,000
(4)	Broward County Minority Coalition	100,000
		$483,618

Title III - Educational Linkages	Credits
(1) Florida Atlantic University (FIELD)	~~$165,000~~ 150,000
(2) Community Self-Help Co-Op, Inc. (Electronics Course) ($146,388) Disapproval —Refer to local Voc-Tech	~~146,388~~ 98,000
(3) Florida AFL-CIO (ULA) Apprenticeship Coordination Project ($325,000) - Reduce to $275,000	~~50,000~~ 275,000
	$296,388)

From the above total credits of ($296,388) the following projects in the contingency category should be considered for funding at the below recommended levels:

	Disbursements
(1) Central Florida Educational Consortium for Women	$92,300
(2) Bond Community Management, Inc. Learning Center	75,000
(3) GRITS	61,000
(4) Florida Department of Education	14,000
(5) Tallahassee Carpenters Joint Apprenticeship	50,388
	$296,388

Title I, Section 110	Credits
(1) Inner Cities Development Inc., ($153,000) Disapproval - Refer to Local Prime Sponsor	$153,000
(2) Pinellas County Commissioners, Prime Sponsor Impact Evaluation Project ($57,650) Disapproval - Refer back to prime sponsor	57,650
	$210,650

From the above total credits of ($210,650) it is recommended that the following projects presently approved under Title I, Section 105 in the contingency category should be transferred and rewritten to conform with Title I, Section 110 and be funded at the below recommended levels:

	Disbursements
(1) Minority Industrial Development Commission, Inc.	~~$133,000~~ $151,802
(2) Jacksonville Community Council, Inc.	57,650
	$210,650

/cc

cc: David Pingree
Marvin Davies

Senator HAWKINS. Because I have a copy of it, if you want to see it.

Mr. ORR. Yes.

Senator HAWKINS. Did that memorandum recommend the funding of the Florida Association of Minority Business Owners?

Mr. ORR. I think so. May I have a copy?

Senator HAWKINS. Sure.

Mr. ORR. FAMBO was in there, yes.

Senator HAWKINS. FAMBO?

Mr. ORR. FAMBO, yes.

Senator HAWKINS. Did your discussion with Mr. Smith and Mr. Davies, and the Smith memorandum to you the following day, have any influence on your final funding decision?

Mr. ORR. Yes.

Senator HAWKINS. Was the final funding decision for FAMBO, as you call it, consistent with the recommendation in Mr. Smith's memo to you?

Mr. ORR. He recommended 95 and we funded 95, yes.

Senator HAWKINS. Were you aware, at the time you discussed it with Mr. Davies, the funding of the Governor's special grant; that Mr. Davies was also serving as a member of one of the corporations that was funded?

Mr. ORR. No.

Senator HAWKINS. That one being FAMBO.

In light of the conflict of interest provision, which I quoted earlier, and in light of Mr. Davies membership in FAMBO, do you now feel that it was appropriate for Mr. Davies, as an employee of the State administration, to have discussed with you the CETA funding from the Governor's special grant?

Mr. ORR. Well, you know, you are getting in some very legal areas there and I am not sure about that. Marvin does serve as Special Assistant to the Governor. He is specifically in charge of minority affairs.

At this point, I think you will find that Marvin had—in February, when I was getting into looking at all of these organizations, we found that Marvin was on the board of directors and involved. And I think he submitted it to the Governor's staff because we called him in to question him about that. The Governor, specifically, called him in to question him about that.

And, at that point, he said—indicated to us—that he had totally disassociated him, himself, from those organizations. And, at that point, we wanted that in writing and there was a letter submitted.

Senator HAWKINS. Are you aware that he is still a member of the board of that company?

Mr ORR. No, I am not.

Senator HAWKINS. I would like you to look at these documents.

[The documents referred to follow:]

State of Florida

Department of State

I certify that the attached is a true and correct copy of Articles of Incorporation of FLORIDA ASSOCIATION OF MINORITY BUSINESS OWNERS, INC., a corporation not for profit organized under the laws of the State of Florida, filed on September 6, 1979, as shown by the records of this office.

Given under my hand and the Great Seal of the State of Florida, at Tallahassee, the Capital, this the 29th day of July, 1981.

George Firestone
Secretary of State

CER 101 Rev. 12-80

748919

Articles of Incorporation

FLORIDA ASSOCIATION OF MINORITY BUSINESS OWNERS, INC.

(A corporation not for profit)

We, the undersigned, with other persons being desirous of forming a Corporation under the provisions of Chapter 617 of the Florida Statutes, do agree to the following:

ARTICLE I

Name

The name of the Association shall be the FLORIDA ASSOCIATION OF MINORITY BUSINESS OWNERS, INC.

ARTICLE II

The Principal Place of Business

Its principal place of business in the State of Florida is located at: 215 S. Monroe, Suite 634, Tallahassee, FL 32301.

ARTICLE III

Purpose

The general character and nature of this corporation is to:

1. To serve as the trade association for minority business owners in the State of Florida;
2. To promote and protect minority businesses in the free enterprise system;
3. To provide minority businesses with a greater voice in laws governing their growth and potential;
4. To assist minority business enterprises in developing financial, management, procurement and marketing resources and skills;
5. To provide advice, support, training, and assistance to minority businesses in all areas of economic and business development, both foreign and domestic;
6. To do all other acts as are necessary or convenient [illegible]

forth to the same extent and as fully as any natural person could or might do and so are not forbidden by law or by these Articles of Incorporation or by the By Laws of this Corporation.

ARTICLE IV

Membership

The membership of this corporation shall consist of all persons hereinafter named as Directors, Subscribers, Officers and all those persons who evidence an interest in affiliation with a minority trade and development association, and who for such reasons request to become members, and such other persons as, from time to time, may become members in the manner provided in the By-Laws; and such may be delegated to the Board of Directors in accordance with the By-Laws. Members shall be admitted upon completion and approval of an application.

ARTICLE V

Existence

The existence of this Corporation shall be for a perpetual term.

ARTICLE VI

Powers

The powers of this corporation shall include the following:

1. To Contract and be contracted with, and all of the powers reasonably necessary to fulfill the obligations and perform the services arising out of any such services as the membership shall desire and direct.
2. To engage in such activities which in the opinion of the Board of Directors thereof shall be reasonably appropriate to accomplish the purpose for which it is organized and the performance of its duties and obligations.

The powers of the Corporation shall be subject to and shall be exercised in accordance with the provisions of its By-Laws.

4. This corporation shall have the power and purposes that it may deem proper to, or that it may deem calculated directly or indirectly, to improve the interest of this corporation, and to do all things specified in Chapter 617 of the Florida Statute, and to have and to exercise all powers conferred by the laws pursuant to which and under which this corporation is formed, as such laws are not in effect or may at any time hereafter be amended.

5. The foregoing powers shall, except where otherwise expressed, be in no way limited or restricted by reference to, or inference form, the terms of any other clause of this or any other article of these Articles of Incorporation, and shall be construed as purposes as well as powers, not with standing the expressed enumeration of purposes elsewhere in these Articles.

ARTICLE VII

Subscribers and Resident Agent

The names and addresses of the original subscribers to these Articles of Incorporation and the Resident Agent (R/A) are as follows:

Dr. E. B. "Ed" James
Suite 203
2080 Ringling Boulevard
Sarasota, FL 33577
813/955-8200 (O)
351-2443 (R)

Roosevelt Harris
3309 N. Ridge Road
Tallahassee, FL 32304
904/575-4724 (R)
488-4763 (O)

Arleane Powell/RA
1406-C Shallow Brook Drive
Tallahassee, FL 32701

ARTICLE VIII

Board of Directors

Section 1. The business affairs of this corporation shall be managed by a Board of Directors. The Corporation shall have three (3) Directors initially. The number of Directors may be increased from time to time in a manner provided for in the by-laws but shall never be less than three (3).

Section 2. The directors shall be elected at the annual meeting of this Corporation which shall be held at such place as may be designated by the Chairman of the Board after notice to the members during the month of September of each year. Officers and directors shall be elected by the members as designated in the By-Laws. The officers and directors shall hold office until their successors are duly elected and qualified. The conduct of such elections will be set forth in the by-Laws of this corporation.

Section 3. The names and addresses of the persons to serve as Directors for the ensuing year, or until the first election are:

Dr. E. E. "Ed" James
2030 Ringling Boulevard
Suite 203
Sarasota, FL 33577

Mr. Roosevelt Harris
3309 N. Ridge Road
Tallahassee, FL 32304

Ms. Arleasa B. Howell R/A
1406-C Shallow Brook Drive
Tallahassee, FL 32701

ARTICLE IX

First Officers & Charter Members

Section 1. The officers of this Corporation shall be a Chairman of the Board, a President, Vice President, Secretary, Treasurer and other such officers as may be provided in the By-Laws.

Chairman of the Board - Dr. Spurgeon McWilliams
1605 E. Plaza Drive Suite 4
Tallahassee, FL 32308
904/878-2171

President - Gus Hodgins
13 Patton Drive
Pensacola, FL
904/456-4061

Vice President - Dr. E. E. "Ed" James
2030 Ringling Boulevard
Suite 203
Sarasota, FL 33577
813/955-8700

Secretary - Dr. Frederick Wilson
3197 Merrie Dawn
Tallahassee, FL 32303

Ms. Arleasa B. Howell
1406-C Shallow Brook Drive
Tallahassee, FL 32701

Section 2. The names and addresses of the chartered members of this Corporation shall consist of the following:

1. Willie H. Williams
2700 N.W. 79th Street
Miami, FL 33147

2. Fredrick Milton
3147 Notre Dame
Tallahassee, FL 32304

3. Arlease D. Rowell
1406-C Shallow Brook Drive
Tallahassee, FL 32307

4. Carol S. Scott
2315 Napoleon Bonaparte Dr.
Tallahassee, FL

5. Aldrich Simmons
Route 1, Box 12
San Mateo, FL 32068

6. George Edwards
2172 N.W. 27th Lane
Ft. Lauderdale, FL 33311

7. Augustus Roberts Jones
2603 North 4th Street
Pensacola, FL 32501

8. Alzen Floyd
520 N.W. 10th Avenue
Ft. Lauderdale, FL

9. Louis D. Benton, Sr.
220 N.W. 5th Avenue
Ft. Lauderdale, FL 33302

10. [illegible]h O. Moham[illegible]d
6315 N.W. 30th Street
Miami, FL 33147

11. Oue Hudgins
35 Patton Drive
Pensacola, FL

12. Marvin Davies
1018 Sunnyside Drive
Tallahassee, FL 32304

13. Dr. E. W. "Ed" James, Jr.
2080 Ringling Boulevard
Suite 201
Sarasota, FL 33577

14. Lou Semple
600 N.W. 89th Street
Miami, FL 33127

15. Evelyn K. Koon
103 W. 30th Street
Jacksonville, FL 32209

16. Dennis W. Diaz
4163 North Meadow Circle
Tampa, FL

17. Loretha Gilley
1467 Tampa Park Plaza
Tampa, FL

18. Erwin W. Carr
635 Lovejoy Road
Ft. Walton Beach, FL 32438

19. Ernest I. Counts
Counts Building Main. T
835 N.W. 47th Street
Miami, FL 33127

20. Ervin Holiday, Jr.
Route 7 Box 1510
Tallahassee, FL 32304

21. Albert Abrams
1710 22nd Street
Sarasota, FL 33480

- 6 -

ARTICLE X

By-Laws

The Board of Directors of this Corporation may provide such By-Laws for the conduct of this Corporation and the carrying out of its purposes, and may amend, alter, or rescind the same, as they deem necessary from time to time; or the By-Laws may be amended, altered or rescinded at a regular meeting at which there is present a quorum and on the majority vote of the total active membership.

ARTICLE XI

Amendments of Articles

The Articles of Incorporation may be amended at a regular or special meeting of the Board of Directors called for that purpose, by a majority vote of the Directors, or otherwise provided for in the By-Laws.

ARTICLE XII

Indemnification

Every director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities including counsel fees, reasonably incurred by or imposed upon any of them in connection with any proceedings to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director or officer of the Corporation, or any settlement thereof, whether or not he or she is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his or her duties; provided that in the event of a settlement, the indemnification herein shall apply only when the reimbursement is being for the best interests of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

ARTICLE XIII

Dissolution of Assets

No person, firm or corporation shall ever receive any dividends or profits from the undertaking of this Corporation and upon dissolution of this organization, all of its assets remaining after payment of all costs and expenses of such dissolution shall be distributed to organizations which have qualified for exemption under Section 501 (c) (3) of the Internal Revenue Code, or to the Federal Government or to a State or local Government, for public purposes, and none of the assets will be distributed to any member, officer or trustee of this Corporation.

IN WITNESS WHEREOF, we, the undersigned subscribing incorporators, have hereunto set our hands and seal this 6th day of September, 1972, for the purpose of forming this Corporation not for profit under the laws of the State of Florida.

E. E. "Ed" James

Roosevelt Harris

Arlease D. Powell

STATE OF FLORIDA)
:ss
COUNTY OF LEON)

ONE THIS DAY personally appeared before me E. E. "Ed" James, Roosevelt Harris and Arlease D. Powell, who, after being duly sworn, deposes and says:

I have read the foregoing Articles of Incorporation of Florida Association of Minority Business Owners, Inc., and the facts and allegations contained therein are true and correct to the best of my knowledge and belief.

E. E. "Ed" James

Roosevelt Harris

Arlease D. Powell

- 6 -

Sworn to and subscribed before me

this 12th day of September, 1972.

NOTARY PUBLIC, State of Florida

My Commission expires:

Marilyn Lee

CERTIFICATE DESIGNATING PLACE OF BUSINESS OR DOMICILE FOR THE SERVICE OF PROCESS WITHIN FLORIDA, NAMING AGENT UPON WHOM PROCESS MAY BE SERVED.

FOR COMPLIANCE WITH SECTION 48.091, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED:

That the Florida Association of Minority Business Owners, Inc. desiring to organize or qualify under the laws of the State of Florida, with its principal place of business and residence at the following address:

Alean D. Bowell

ALEANN D. BOWELL (Resident Agent)

LOCATED AT: 1496-C Shallow Brook Drive

CITY OF: Tallahassee, FL 32301

AS ITS AGENT TO ACCEPT SERVICE OF PROCESS WITHIN FLORIDA.

Alean D. Bowell

Signature:

Title: Resident Agent

Date: September 6, 1979

Having been named to accept service of process for the above stated corporation, at the place designated in this certificate, I hereby agree to act in this capacity, and I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties.

Alean D. Bowell

Signature: Resident Agent

Date: September 6, 1979

Mr. ORR [examining documents]. I am not aware of that.

Senator HAWKINS. Aware of what?

Mr. ORR. That he is still a member of the board of directors for FAMBO.

Senator HAWKINS. Do the documents that you have indicate otherwise?

Mr. ORR. Well, that is what this document you just showed me indicates; that he is, yes. This was filed with the Secretary of State on September 6, 1979.

Senator HAWKINS. In your opinion, then, Mr. Secretary, what improvements do you feel can and should be made to insure that these kinds of programs are administrated efficiently and effectively; most importantly in the interest of student participants, those who rely on these programs for assistance in training for employment?

Mr. ORR. I have several concerns. One, I pointed out earlier. I think it is unthinkable to require the operators of the programs, that we deal with, to have the business acumen of a Wharton or Harvard Law School business graduate.

And I say that, in light of the fact that these programs do not allow for any human error and operators will make errors. They have the right to interpret the CETA regs, as well as we do at the State level.

We, at the State level as the grantee, do not have the right to walk into an operator's office and say, "You will operate this program in this manner and here are the procedures to do that."

We have had one constant battle with this particular operator, because they interpret the CETA regs to say that they can do such and such, and we say, "No, you cannot." And that is the final determination from the grants office.

If there is a dispute it has to be heard and it goes through a process. In the meantime, they are operating the program and, in all probability, still making errors.

So that is one of the problem areas that I think you ought to look at. There has got to be a way that there is some allowance for deviation stipulated in the rules. Lay them out, in a definitive manner which says that you will do thus and so, so that everybody clearly understands that and you do not get into arguments, and subjected to charges of harassment.

When we go in and say you do it this way, "You are harassing me," and we are merely trying to provide technical assistance or trying to keep them from incurring costs that will be disallowed.

The other problem we have is the almost daily changes in the rules that operate the program.

Senator HAWKINS. You mean the Federal rules?

Mr. ORR. Yes. From the U.S. Department of Labor, we get almost daily changes, there is a field memo down. And what was in operation yesterday, today, may not be prevalent anymore. But you made decisions yesterday, based on what was prevalent yesterday. Today, it is a disallowed cost, so you get into arguments with operators that way.

I think that those three areas are probably the ones that give us the most problems. There has got to be some way to resolve discrepancies or disputes arising between the grantee and the sub-

grantee, at the local level, so that you do say with some definiteness what will and will not take place.

But overall, I think that out of almost 400-plus programs in this State last year, from the balance of State, we were involved with some $58 million. We had about four programs that really went sour with serious discrepancies and probably a couple more that had some minor discrepancies.

Senator HAWKINS. Totally how much? How much on those programs with problems?

Mr. ORR. Those four programs—[addressing Dr. Russell]—Russ, do you have an estimated——

Dr. RUSSELL. It was less than $2 million.

Mr. ORR. Less than $2 million. And I am told that the overall in Florida, out of the total appropriations for CETA, some $87 million, we had about $3.3 million in questioned costs. That is about 1.2 percent of all the funds. So the program really works.

But we do have these problems. These problems are caused, in all probability, by the inflexibility of rules and regs. There is just no room to move.

Senator HAWKINS. Are State audits helpful to you?

Mr. ORR. Yes.

Senator HAWKINS. Having access to the State audits would be helpful?

Mr. ORR. Yes.

Senator HAWKINS. I really appreciate both of you coming here today. I am sure that your testimony will be very helpful to the subcommittee and I want to thank both of you for your informative testimony and helpful suggestions.

Mr. ORR. Thank you.

Senator HAWKINS. Our remaining two witnesses to testify today are Mr. Lawrence Weatherford, who is the Regional Administrator for the U.S. Department of Labor, and Mr. Ralph Parilla, director of personnel for Motorola Products, in Fort Lauderdale.

Mr. Parilla is chairman of the Private Industry Council in Broward County.

It is most important that we listen to his testimony and learn from the private sector.

I want to thank you for being so patient in waiting to testify today.

Mr. Parilla is the chairman of the Private Industry Council in Broward County and is going to share with us his experience with a program to attract individuals into training and employment.

Could you begin by describing the overall role of the council in training and employment of individuals in your part of the State, Mr. Parilla?

STATEMENTS OF RALPH M. PARILLA, PERSONNEL DIRECTOR, MOTOROLA INC., FORT LAUDERDALE, FLA., AND CHAIRMAN OF PRIVATE INDUSTRY COUNCIL IN BROWARD COUNTY; AND LAWRENCE WEATHERFORD, REGIONAL ADMINISTRATOR, U.S. DEPARTMENT OF LABOR, ATLANTA, GA., A PANEL

Mr. PARILLA. Certainly.

First of all, I want to thank you, Senator Hawkins, for asking me to testify today.

The council is made up of representatives from all of the major industries in our area, plus organized labor and representatives from educational institutions.

We have the organization broken down into subcommittees. Each subcommittee represents one of the major industries. The subcommittees are responsible for the designation of skills training areas. These subcommittees are made up of business people who are knowledgeable as to what skills are in short supply, in their respective industry.

We purposely avoid targeting jobs paid at the minimum-wage level, because we feel there is little incentive for employees to remain at work in these types of jobs. Furthermore, minimum-wage-level jobs can be filled without Federal training. There are no shortages of potential applicants for minimum-wage-level jobs.

We have chosen, instead, to train people for skilled jobs for which qualified applicants are in short supply. These are jobs which are paid considerably above the minimum-wage level. This provides high placement rates and provides an incentive for the employee to stay at work.

The Private Industry Council also is directly involved in the selection of training programs to prepare workers for skilled jobs. In several cases industry people were jointly responsible for the curriculum design.

Program status reports are prepared and communicated at each monthly council meeting so progress is directly monitored. The Private Industry Council plays an active part in the financial and quality control process, in addition to the role played by our local CETA staff.

Broward County's Private Industry Council uses a business approach that relies heavily on the following criteria:

First we ask if the industry is on the upswing in the county; if there are promotional opportunities available after the initial placement; if the employing companies pledge to provide ongoing training; and if the costs, per participant, are in line with the job and career opportunities that go with the skill.

I will give you an example of some of the programs we have done. We have one program called the electronics technician upgrade program.

This is a program which takes people who are currently in the electronics industry in low level, dead end jobs. These people have been working for a number of years and have shown excellent job skills. They are hard-working people, with good attendance, good productivity, and so on, and they are limited solely because of the lack of education.

We take these people out, send them to school for up to 10 months and train them to be technicians. We replace them with disadvantaged people coming in from CETA selection processing.

And what we have been doing, for example this year, is replacing them on a two-for-one basis. So that means two people coming off the street to replace the one person that went off for training.

It has been an excellent program. We have, in the last 2 years, graduated 113 people through the program; 87 percent have been women; 48 percent have been minorities; and that is in a job

category which, nationally, is 94 percent male and 91 percent white.

Fifty-nine percent of the backfill jobs, the jobs that were opened up because of the training program were filled by minorities. So, again, it is a good program to serve both ends of the spectrum.

People coming out of the training program are drawing salaries of between $12,000 and $14,000 to start. And electronic technicians can earn up to $20,000 to $28,000, in the long run.

Senator HAWKINS. So you characterize the results of your program as very successful?

Mr. PARILLA. Yes. We have had tremendous successes with the program. In the last several years, we have had a number of job categories for which applicants are in short supply that we have trained people for.

Those would include jobs such as precision sheet-metal workers; heavy-duty truckdrivers; electronics technicians, as I mentioned; computer technicians, computer testers, medical assistants, operating-room technicians, keypunch operators, data coders.

This year we are proposing to train some nurses, among some of the other categories we have trained in the past.

We have had over an 80 percent placement rate, with the people coming out of these programs. Our success rate has been very good.

We have also had a couple of entrepreneurial-training programs in which people who have some skill, such as painting or gardening, or whatever, are given the training to set up their own business. This is called the BYOB program, [Be Your Own Boss].

We have had 28 new businesses created in the county because of that program.

We have also funded an economic development program through the Urban League and they are in the process of creating more minority business. Right now, they have four businesses that they are working on.

Senator HAWKINS. Do you feel the Federal and the State government could learn from, and profit by, programs that you do?

Mr. PARILLA. Yes, I think so. I think that the approach taken by businesses is the right kind of approach. We're used to dealing with budgets and making sure we watch all the dollars and cents.

I think, also, one of the most important aspects is business people have a good understanding of exactly which skills are needed. So that when we train people, we know they are going to have a job when they get out of the training programs. That is the real, critical issue here.

In the past, I think, CETA has really provided jobs and not provided careers. And that is one of the things that I think industry really looks out for. It is making sure that when somebody is finished with the training program, they have got a career that will last them for the rest of their lives. We will not see them in another CETA program again.

Senator HAWKINS. I am impressed with the upward mobility, because so many of the negative comments we hear about CETA is that it is a dead end job that they train for.

Your program seems to have defined where the vacancies are going to be in the future; defines the skills that they are going to need; and, then, taking the individual that shows the characteris-

tics that would be a long-term payoff for the business, in light of your having to make profit in order to stay in business, unlike government.

Therefore, you have been able to give a meaningful future to those that you are training.

It seems to me that a seminar on your group, in coordination with the State and Federal people, would be very enlightening in helping us to determine on a national level the next steps to take in comprehensive employment training, which is what this whole program is about.

Mr. PARILLA. We would be happy to do that. Our program, down in Broward County, has been identified by the National Alliance of Business as being one of the 10 model programs in the country.

Part of what they are doing is studying our program extensively and they will be providing input to other private industry councils around the country, to model after what we have done.

Senator HAWKINS. Thank you, that is most enlightening.

Mr. Weatherford, you have heard all the testimony here today, State officials and some of your own Federal colleagues. I am interested, now, in your thoughts and impressions, as a representative of the Department of Labor, one of the departments that are involved in CETA.

I would first like to ask you what specific efforts has this administration initiated toward effectively and efficiently monitoring CETA programs?

Mr. WEATHERFORD. Thank you very much, Senator Hawkins. I want to express regrets that Assistant Secretary Angrisani could not be here. I know you had asked him to come and he was unable to get here.

He did have a statement, which I have given to staff, that we would like to enter into the record. It is basically the same information previously given to your committee, so I won't go over that.

[The prepared statement of Mr. Angrisani follows:]

LAWRENCE E. WEATHERFORD
REGIONAL ADMINISTRATOR
FOR EMPLOYMENT AND TRAINING
BEFORE THE
SUBCOMMITTEE ON INVESTIGATIONS AND GENERAL OVERSIGHT
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

AUGUST 7, 1981

Madam Chairwoman:

I wish to thank you for this opportunity to appear before you today. I have spoken with Mr. Albert Angrisani, Assistant Secretary of Labor for Employment and Training, and he asked that I present the following statement on his behalf.

There have been significant issues raised about the operation of the CETA program by Congressional committees and in reports prepared by the General Accounting Office. Some of the issues relate specifically to Federal activity; others bear more directly on prime sponsor operations. In both cases, the public view of CETA is generally negative. Most of us have read far more newspaper stories reflective on the efforts of the program. While inches of newspaper print are not a truly accurate measure, criticism of attempts by the Department and prime sponsors to manage, audit, and assess results and to account for funds certainly does have merit.

I would like to take this time to share with you our view of where we presently stand, and what we plan to do about the situation.

First, Madam Chairwoman, the CETA program is a modified version of a block grant. The objective of CETA at its inception was designed to leave the decision-making about employment and training programs to the local elected officials. At the same time, the legislation requires the Secretary of Labor to ensure that target groups are served (the Annual Plan) and that the participants are legally eligible for the service. In addition, certain basic fiscal-administrative requirements are embedded in the program and must be reviewed by the Secretary.

For these reasons, the Office of Inspector General (OIG) was organized to provide the support and expertise to: (1) audit the regular CETA program operations and (2) to investigate alleged cases of fraud and abuse. These two activities are operated as an adjunct to the Employment and Training Administration regular monitoring and review efforts. Under the audit program the OIG (audit) examines the expenditures of the prime sponsor in relation to the regulatory requirements of the Comprehensive Employment and Training Act. Based on this review, the OIG may question the legality or propriety of the expenditure (or cost).

Since assuming office, I have examined the efforts undertaken by the Employment and Training Administration in the area of audit resolution. ETA has had a dismal record--taking years to address audit reports, failing to recapture misspent funds and not correcting noted systems deficiencies which lead to recurring problems.

As of April 1980, ETA had 883 unresolved CETA audits. This was clearly the low point in audit resolution in CETA's history. However, over the last 12 months, ETA has taken management steps to identify amounts owed the Federal Government relative to initial costs questioned by the Office of the Inspector General. These efforts have been successful as our audit inventory has been reduced from 883 reports to 440 in the 12 months ending June 30, 1981--a reduction of 50 percent. This simply means, however, that we have identified amounts owed the Federal Government after an extensive review of questioned costs. It does not mean, however, that we have recouped those amounts. On each of these audits we must then enter into a cumbersome debt collection process which I will address in a moment.

I am aware of the statutory requirements that all audits are to be resolved in 180 days; CETA audits in 120 days. Given the complexity of the issues it is mammoth

task to deal with our current inventory by September 30, 1981. I have recently reviewed the status of the largest audits remaining in our inventory. As of December 31, 1980, 55 audit reports accounted for $190 million; that represents 60 percent of our unresolved questioned costs as of that date. I assigned first priority to the resolution of these major audit reports in order to achieve the fastest possible reduction in the amount of unresolved questioned costs. This effort has paid off: as of the end of March we issued final determinations on 22 of these audits, representing resolution of $65 million in costs; data for April and May show a continuation of this positive trend.

There currently exists a national task force to address the audit inventory problem. I am reinforcing the staff of this task force in order to meet the established time frames for audit resolution. In addition, performance standards have been established for each SES member responsible for this process. I have by memorandum dated July 14, 1981, established the objective of eliminating all of the audit backlog by September 30, 1981. We expect to meet that objective.

Debt Collection

ETA expects to have a fully operational automated accounts receivable system within the next month. However, even using the current manual system, it is clear to me that additions to our receivables are rising five or six times faster than our collections. As I noted earlier audit resolution pushes disallowed costs in the beginning

of the long, uncertain debt collection pipeline. I am greatly concerned about whether we indeed have sufficient means to solve this problem quickly - or really at all.

A Federal determination disallowing costs is made in 4 to 6 months. The grantee is then entitled to a hearing before an Administrative Law Judge. Debt collection activity must be postponed until the Administrative Law Judge decision is rendered. At this point, we are expected to resume aggressive debt collection efforts, which, given the financing mechanisms of the public jurisdictions to which we grant CETA funds and the limited financial resources of nonprofit organizations, is a difficult problem.

This entire process may take up to 3 years in some instances, and this is assuming that the grantee does not seek review of the ALJ's decision by the Secretary and then continue the case in Circuit Court.

Administrative sanctions to assist in debt collection are available. These include conditional approval and short funding of grants; partial termination or withholding of some funds; and potentially debarment, which itself offers a hearing process. From what I have seen to date, this process is inadequate to achieve the objective of prompt repayment of misspent funds. I intend to examine this process carefully and will most likely recommend changes.

It is my current belief that more flexibility must be injected into the audit resolution process, so that we establish only those debts which reasonably ought to be collected. Once a debt is established, the collection process should be as expeditious as possible. This will be a major priority area for work during FY 1982.

Liability

It is the area of audits and debt collection that the prime sponsor concern about liability arises. The law clearly states that prime sponsors are fully responsible and liable for CETA funds allocated to them. Thus the prime sponsor is liable for the actions of its subgrantees and contractors. We understand and appreciate the sponsors' difficulty. However, we are limited in our ability to release prime sponsors from this liability under the law and we will not routinely move to collect debts from sub-grantees and contractors with whom we do not share privity. This liability issue, however, is a serious one which is creating much tension in the CETA system. It deserves careful consideration as we proceed with our examination of a reauthorization of the employment and training system.

CETA Management

I have read several reports prepared by the Office of the Inspector General and the General Accounting Office

which are quite critical of the management of the CETA program both at the Federal and prime sponsor levels. Significant prime sponsor management issues related to the following: unresolved subsponsor audit exceptions, insufficient documentation of both costs and participant eligibility, unallowable costs, ineligible participants, inadequate monitoring of subgrantees, excess cash on hand, etc. From what I have seen thus far, clearly financial management is one of ETA's biggest problems throughout the system.

The 1978 CETA amendments and associated regulations attempted to deal with some of the above listed problems. They required that prime sponsors establish an independent monitoring unit (IMU) to provide oversight at the grantee level itself. Prime sponsors were also specifically required to undertake a more elaborate eligibility determination and verification process. Although based on early implementation, the effectiveness of these systems has been questioned in GAO's recently issued report regarding internal controls.

As you may know, each year ETA assesses overall prime sponsor management and performance using a standard review instrument. The areas cited above are included in this year's review. This year I will personally examine the

result of the assessment process. We have trained prime sponsors, provided written guidance, and monitored their efforts in these areas. I am anxious to determine whether our attention has paid dividends. For example, the IMU and verification systems are costly. If they are not effective, the requirements should be eliminated in favor of something more workable and more effective.

In the past ETA has concentrated to a large extent on program development and implementation, participation levels and utilization of funds. It is now time to focus more on outcomes and effective financial and management practices. The future orientation of the Employment and Training Administration needs to be on performance measurement and monitoring.

Discretionary Funds

I would also like to mention the improvements we have made in controlling the allocation of discretionary resources under CETA Titles III and IV. As you may recall, it was only days after President Reagan took office that we identified that the spending plan for the CETA Title III budget was over subscribed by $7 million and that the plan for Title IV was oversubscribed by $35 million.

Given the serious nature of the problem, we necessarily made it one of our first priorities to address this problem. Our efforts in this area began with an immediate freeze on any further obligations of Federal funds. This freeze was imposed on January 21, 1981 -- our first day in office. Over the course of the following 10 weeks we undertook a review of each grant and contract that had been awarded under the Fiscal Year 1981 budgets for discretionary resources under CETA Titles III and IV. I personally supervised this process and spent much time reviewing information and assessments concerning several hundred grants and contracts.

By the end of March 1981, we had arrived at new spending plans for both CETA Titles III and IV that were not only in balance but also designed to bring about a smoother transition to the reduced funding levels projected for Fiscal Year 1982. We have also implemented new procedures that involve more careful screening and examination of projects before they are funded from these discretionary resources.

Future Employment and Training Programs

Many of the concerns that I have enumerated above will be addressed in the broad policy review that will occur as we consider the policy options for employment

and training legislation in 1982 -- when CETA authority expires. Therefore, let me briefly outline what we in the Department are doing to prepare for our examination of the options for employment and training programs beyond Fiscal Year 1982.

At the beginning of June I announced the formation of a task force within ETA to coordinate our efforts with those outside of the agency. This task force will be responsible for contacting the broadest possible range of informed individuals throughout the employment and training community and eliciting their views on what future legislation should contain. Through this process, we will begin to develop the critically needed data and analyses necessary to formulate a legislative proposal that builds upon what we have learned and addresses the problems that we have identified.

We have developed and given wide distribution to a list of what we consider to be the major issues on the employment and training agenda. These issues are intended to focus the dialogue and to stimulate knowledgeable individuals to propose viable options for improving our services and their effectiveness. I can assure you that my staff and I will be available throughout the coming months to work with you as you consider the issues and options available in developing employment and training legislation.

In the short time available to us, both the Congress and we in the Department will have to assess numerous policy options and determine which are most likely to improve the employment and earnings of those we serve. Clearly, there are many important administrative and policy issues that we will have to address in the next round of employment and training legislation. By working together, I am confident that we will be able to devise a system that effectively meets our objectives.

This concludes my prepared statement. As this time, I would be pleased to answer any questions that you or other members of the Subcommittee may have.

Mr. WEATHERFORD. I am particularly delighted to end up on a more positive note than we have been through the rest of the day.

I do believe that, in this particular administration, there has been a recognition that CETA does work and that CETA has very positive results, as Ralph just got through describing here.

I think our problem and the major thing that we are trying to address is, to improve the management of CETA. If we can just look back to the beginning—and I think it has been described a couple of times by some of the previous witnesses—when CETA was enacted, we asked State and local officials and agents to take on a job that they had not ever been involved with before.

The determination of eligibility, for example, is a State or Federal matter and local governments had never operated programs that required that.

In 1974, when we started, we asked them to start following the rules and regulations, and there had to be a learning process.

Second to that, before they started in business, the recession hit in 1974. CETA was a training program. We had a small, public-service job level allocated in the original act to go to high unemployment areas.

Because of the high unemployment in the recession we increased by six times the public service employment workload that these officers and agents had to take on.

Two years after that, when the next administration came in, we doubled to 750,000 public-service employees in the system.

As that developed we were concerned about who would get the jobs and whether the people were eligible or not. And it was about that time when Congress had to reauthorize CETA in 1978 and make changes based on the first 4 years, that we had so much attention being directed to the fact that we had mismanagement and fraud. It was highly publicized.

During the course of the consideration by the Congress of those charges, the reauthorization of 1978 did include certain new requirements that helped us to improve the management.

Certain things as having eligibility criteria clearly established, requiring local agencies or prime sponsors to verify eligibility, which had not been required, were put into place; systems that would track enrollees concerning the limitation of the time that they were in the program would be enforced.

We had a requirement to establish financial management systems. We had a requirement, that Congress put in, that says you have to have the independent monitoring unit, which said the prime sponsors would have an independent group check it.

All of these things, when we finally got them into place in the spring of 1979, have been implemented since that time by all prime sponsors.

It was during that period, however, that we had the results of much of our problems. In the beginning we did not audit the program, as we intended to or as we should have.

Congress directed in 1978 that every prime sponsor should be audited every 2 years. Prior to that time, we had a number of prime sponsorships that had never been audited. So we had to place the right sort of resources and the right sort of attention on that particular exercise.

And, as we went through that process, we had begun to move in a direction of improving management.

I think it is important to realize that what Ralph and some of the other people here said, is that the net results of most of the programs are positive. But what happens if you do not manage well or waste money for unnecessary things, or pay more than you should denies those resources being used to train more people.

In this area we, in the last 6 or 8 months here, have tried to focus our attention upon the things you discussed.

As you know, we have recommended that we eliminate the public service employment program as part of the President's economic package. At the same time we are trying to strengthen the training program.

We want to go back to what CETA was to begin with and that is to prepare these individuals who cannot compete in the labor force for jobs, so that when Ralph opens up a job in Motorola we can move someone in to take the job.

As another specific example, in March of last year, we had 880 audits that had been completed that had not been finally resolved.

One of the things that we have been doing, during the last 12 months and especially in the last 4 months, is to catch up on those audits. If you have disallowed costs, the money is out there. We need to get the money back and put it back into the system.

We are pleased with our progress. Prime sponsors have worked hard, in the last 4 or 5 months, to try to catch it up and we expect, after having 880 delinquent audits last year, to be current by the end of September of this year.

Now, when we do that, that means we are going to identify certain costs which have to be recovered. I think we are sensitive to the fact, as Secretary Orr mentioned, about the liability of the operators.

And, as you go through that process, State and local governments have trouble coming up with dollars to pay back for unauthorized expenditures.

One of the things we think is important, as we enter the next fiscal year on a current basis with audits, is to turn our attention to trying to recover those dollars.

Some interpret this as having taken a hard line with prime sponsors, or State and local governments. On the other hand, it really means that we are moving toward operating our programs on a more efficient basis.

We still are committed to try and be sure that we are training individuals, but we want to do it in the most efficient manner.

Senator HAWKINS. I agree with the comments that you have made. It seems to me that some of the CETA programs are fundamentally deficient, under the present system, and it is really difficult to control them.

Do you think you can achieve the goals that this administration have set out to accomplish employment training with the present structure or should we consider a different approach?

Mr. WEATHERFORD. Well, I think you know that together we have to reauthorize CETA by September of 1982.

We have already started on a process. It is a public dialogue process, trying to involve as many people as we can that have an

interest in involvement in this. We can kind of come together and see where we are.

For example, we just had a meeting in the last 3 weeks in Florida of all the prime sponsors, as we have had in each of our States. And this was to sit down and talk about it; see what it is that we might find in the way of consensus that would be helpful to you and to us as we try to get ready to come forward to try to see what we might want to do.

There is a clear indication, as Secretary Orr said, that one of the major issues is the liability that is placed on the operator.

I believe we have—since Congress gave us some authority to do so—made some adjustments to that strict liability in the 1978 amendment.

But it is really not to a point where unintentional errors can be taken care of without the local government having to repay those costs. That is a major item.

Another one is the complexity of the delivery system. We have, as you know, about 475 prime sponsorships. That is really not our problem. What we have is 50,000 operators that are running the employment and training programs and they range all across the board from the private sector, firms, community-based organizations and local agencies, and other agencies of State government. Trying to communicate the requirements for that number of individuals is difficult. Trying to interpret the way that Florida operates in the same way that you do South Carolina from a regulatory standpoint, is difficult.

So we will be looking for changes—and we are not prepared yet to say what—that can come forward to you. We will have at least some options, if not firm positions, about changes that we might make that will help us to improve the administration.

I do not think you will find that we will be in any way trying to usurp from the local authorities their prerogatives about training.

I think you will find that we will be trying to see if we cannot do some things that will insure efficient management. I think you will find that we will probably try to accelerate involvement of the private sector.

We are finding now that we have a number of experienced workers, not these workers that do not qualify for the CETA program. The automobile industry is a good example. These workers have skills; all they need is a job.

They may need to have some fine tuning or retraining to move from the auto industry to the aerospace industry. But we believe that there is some good ground there to look at for the private sector picking up more of that responsibility, more of the training.

The labor unions, or the unions that are involved, maybe, could do a better job of training than we could, because their people would have skills that work toward this specific job.

Our apprenticeship program, one of the most successful training programs in history, is moving in that direction. This will help us to consider a broader focus, in training experienced workers as well as the structurally unemployed. Those people probably cannot hold a job if they had one and that is why we must continue and we must make the training part of CETA be more effective.

If they had all the jobs in the world, they still would have difficulty holding them, without the kind of experience that we are talking about.

Senator HAWKINS. I would just like to ask you one question about the 880 delinquent audits. You say you are moving toward collection or looking for collection policies?

Mr. WEATHERFORD. Yes, ma'am. We have as our primary goal, right now, catching up the backlog. And we are in the process of installing what we should have had all along, which is an accounts receivable, so we can then establish the priorities of going and collecting the money.

As you are well aware, and one of the GAO force talks about, it is not a CETA problem; it is a Government-wide problem, with us trying to follow on to this.

But we believe the mood of the country is such that we must improve on collections. We expect you to tell us to do that. So we are trying to move out, in our objectives and the priorities, to try to do a better job of that.

We are not sure how much mismanagement frauds there are, because our auditors frequently question costs because they cannot audit the books. So we question all of the dollars.

And, as it turns out, you go back and do a lot of staff work to finally determine that some of the costs were legitimate. We just did not keep good books so the disallowed costs frequently come way below what is questioned.

You might be interested in knowing that Government-wide, questioned costs by auditors, and disallowed costs by grant officers, is a very close figure in most Government-contract operations.

If the auditor finds something wrong, generally the grant officer would uphold it as being wrong.

In ours, it is quite different. The nature of the program, the requirement to document, is such that at one point, about 3 years ago, we allowed about 80 percent of all of the questioned costs. We had to go back and we finally determined that they were allowable.

It is a matter of improving the documentation, or recordkeeping which is just what we are trying to do here. Getting ourselves in shape to manage better.

Senator HAWKINS. Well, thank you very much, Mr. Weatherford and Mr. Parilla, for joining us today and providing a positive note to close.

Similar hearings are being held throughout the country. This month there will be one in Indianapolis. The Labor Committee and the subcommittees are building this record and we want to have positive things to recommend instead of negative "point the finger."

I do know that it is going to be very important to the collection process. And it will be very important whether it is Farmer's Home or HUD, or any program across the board. They will be looking for the dollars that may be paid back.

Congress is going to rely on the information presented here today. We were talking about this administration going back to the States and finding out how it works in the State, how it works in Orange County; how it works in Dade County; how it works in Broward County.

84-241 O—81——8

And occasionally we run into a Broward County and it is delightful to have that experience and we want to talk about that.

The Senate is going to be mindful of the difficulties, that were disclosed today and the regulations, and the myriad of tons of paper that the officers and agents have to go through each day, in deciding whether to approve this, whether additional appropriations need to be directed toward streamlining maybe some of our initial legislation, so that that dollar gets to the delivery point of a career.

I like what you said, Mr. Parilla, when you felt you are developing careers and not just providing jobs. That is what America is all about.

I know that there is a lot of simplification that we need to do, in coming to the final resolution of the ongoing investigation of these matters by responsible law enforcement agencies. They are a part of this process, so it is not one-sided. I think there are maybe too many departments involved in here, when we talk about bureaucracies.

I am impressed with the type individuals that are the head of each Cabinet position. They make decisions and then they charge the Senate with solving the problems and they go on to a new decision. So we are working together.

I think the testimony that you have given here today—all of you—leads me to believe all the more that a comprehensive reappraisal of CETA and its administration should be a task of the highest priority.

We want people in America not only just to work, but to have an opportunity to get ahead and to provide the most elusive of all factors today, increased productivity.

We hear about it constantly and that is why we are here today.

I want to thank all of you for bringing up part of the solution and in helping us address corrections.

At this point I order printed all statements of those who could not attend and other pertinent material submitted for the record.

[The material referred to follows:]

STATEMENT OF

MR. WILBERT McTIER

METROPOLITAN AREA MANAGER

STATE OF FLORIDA

DIVISION OF EMPOLYMENT SECURITY

BEFORE THE

UNITED STATES SENATE

SUBCOMMITTEE ON INVESTIGATIONS

AND GENERAL OVERSIGHT

AUGUST 7, 1981

In response to instructions from the Region IV office of Employment and Training in March, 1981, The Florida State Employment Service for Palm Beach County, (I was the Manager of the West Palm Beach Job Service Office and Delegate Authority for Palm Beach County) and the Palm Beach County Employment and Training Administration developed guidelines to find unsubsidized employment for one-thousand, thirty-five (1,035) Public Service Employees (PSE) scheduled for lay-off on April 19, 1981.

In coordinating our press conference with the business community, cooperative linkages with the Economic Council of Palm Beach County, the Chambers of Commerce of Palm Beach County, the Urban League of Palm Beach County, the Hispanic Human Resources Council, the Community Relations Board, and the New Media were re-emphasized.

To further boost our effort, Honorable Daniel Mica, U.S. Representative was present and addressed the business leaders and requested their cooperation in providing jobs to the Florida State Employment Service for applicants. To amplify the success of job development in the private sector, the Florida State Employment Service received the verbal recruiting agreement to staff the Hyatt Palm Beaches Hotel with four hurndred (400) employees. We were literally 'swamped' with job orders for the affected applicants.

During the four month period (March - June), we experienced problems:

1. A large number of applicants lived in West County (Belle Glade, Pahokee, and South Bay). The economy there was in a seasonal down-turn. Applicants who had moved from the agricultural main-stream refused to return to that type of work. They optioned for food stamps, unemployment, and welfare. Since they were trained in areas other than agriculture, no sanctions could be enforced.

2. a) On the East Coast, the majority of applicants were female heads of households. These applicants were working in jobs in which they did not meet the qualifications and the experience gained was not enough for private-sector or social program openings.

   b) Also, these applicants had experienced working from 8:00AM to 5:00PM, Monday through Friday. With Palm Beach County's economy based on four primary industries: (1) Agriculture, (2) Tourism, (3) Electronics and (4) Food Service, all requiring either rotating or split shifts, week-end or night work, we were 'stuck' with a large number of applicants and a large number of job openings, but unable to make a job match.

3. Since the PSE employees were only paid for the days that they worked, upon their lay-off, many decided to 'rest' for a few weeks. They were entitled to food stamps, welfare, unemployment compensation, housing subsidy, heating and cooling subsidy, and free medicine - why not rest or take a vacation.

4. We found that a number of applicants had received appropriate and satisfactory training but were lacking basic skills in getting and keeping a job. As a Public Service Employee, they were considered a 'free' employee. Public and community based organizations tolerated almost anything to keep them on board. The private sector would not accept poor attendance, poor work quantity and quality, poor work habits, attitude and appearance.

In an effort to eliminate these problems, we initiated the following steps:

1. A 'Job Shop' component for PSE's to learn job seeking and job keeping skills. Also, the Job Shop introduced our applicants to the real world by letting them participate in finding a job for themselves and their group members.

2. Contact was made with all supportive service agencies to develop a referral system of all PSE applicants who applied for services to the Florida State Employment Service.

3. A definite coding system to identify PSE applicants to adequately record referral and placement efforts. When the July placement results are finalized, we anticipate slightly (80%) percent of the PSE applicants on the East Coast, who remained in the Palm Beach County labor force will be employed.

4. A plan is being considered to utilized the Florida State Employment Service as the Intake and Referral center for Palm Beach County. If this proposal materializes all applicants needing training will be referred to training and all applicants needing jobs will be referred to jobs. This plan will decrease the number of vacant jobs when suitable applicants are available.

Suggestions:

1. The Florida State Employment Service should be utilized as the Central Intake for all manpower programs. In assessing the labor force in Palm Beach County, and now, Dade and Monroe Counties, I have found that a number of applicants who were available for private sector employment were enrolled in training programs. This defeats the purpose of the program. Those applicants with skills should be referred to employment and those needing primary training or refresher training should be the applicants referred to training.

2. In reviewing the RFP application for training, all prospective training components will have job placement requirements. This duplication of service should not be tolerated. The Employment and Training Administration should mandate that training facilities train applicants in occupations needed for the labor market's immediate and future growth. The Job Development and Placement function should be with the number one Job Service resource in the area - The Florida State Employment Service.

3. Linkages must be established with Vocational Education Programs, Health and Rehabilitative Service Programs and Apprenticeship Programs by the Job Service to provide labor market information to those agencies and to provide job placement services to their applicants.

4. Eliminate the loopholes in the entire social program concept by giving the Florida State Employment Service the regulatory responsibility over job development and placement. All applicants for work, who are benefitting from social programs, must be required to register and seek employment to be eligible for benefits. If the loopholes are eliminated, more applicants can be placed.

5. Regulations must be adjusted for the development of a professional placement section in each office. In an effort to eliminate the 'stigma' of an office for the disadvantaged, opportunities must be greater for the entire labor force.

STATEMENT OF

MR. TOM CHAPPELL

PERSONNEL DIRECTOR

FIRST FEDERAL SAVINGS

& LOAN ASSOCIATION

LAKE WORTH, FLORIDA

BEFORE THE

UNITED STATES SENATE

SUBCOMMITTEE ON INVESTIGATIONS

AND GENERAL OVERSIGHT

AUGUST 7, 1981

First Federal
SAVINGS & LOAN
ASSOCIATION OF LAKE WORTH

SERVING FLORIDA RESIDENTS
SINCE 1937

U 0

July 10, 1981

CONGRESSIONAL SUB-COMMITTEE ON EMPLOYMENT & PRODUCTIVITY

First Federal Savings & Loan Association of Lake Worth is an $850 million institution, with a current employee population of approximately 350.

I am the Personnel Director at that institution and am responsible for recruiting and employment, as well as other personnel functions. Currently, we have thirteen position vacancies (eleven non-exempt, two exempt). Six of the non-exempt positions are entry-level, requiring only minimal experience and basic English language and arithmetic skills. The following lists the number of position vacancies we had on the last day of each month in 1981:

Month	No. of Vacancies
January	28
February	40
March	23
April	16
May	13
June	13

Our greatest need has been for teller trainees. In February, when we had 40 vacancies, we were looking for teller trainees to fill openings at eleven of our eighteen branch offices. To fill these positions, we advertise extensively in the local media. To date this year, we have spent $14,127 on employment advertising. In addition to the media advertising, we mail a list of position vacancies to each of the following agencies every week.

Department of Human Resources
West Palm Beach, Florida

State of Florida Health & Rehabilitative Services
Delray Beach, Florida

PLEASE REPLY TO: P.O. BOX [illegible] LAKE WORTH, FLORIDA [illegible] PHONE [illegible]
BROWARD COUNTY OFFICE: SUNRISE
MARTIN COUNTY OFFICE: STUART
PALM BEACH COUNTY OFFICES: BOCA RATON, BOYNTON BEACH, DELRAY, JUPITER, LAKE WORTH, LANTANA, PALM BEACH GARDENS, PALM SPRINGS, WEST PALM BEACH
ST. LUCIE COUNTY OFFICE: FORT ST. LUCIE

Community Action Council(s)
Delray Beach, Lake Worth, Riviera Beach, Florida

Palm Beach Habilitation Center
Lake Worth, Florida

Urban League of Palm Beach County
West Palm Beach, Florida

Placement Office, Palm Beach Junior College
Lake Worth, Florida

Florida State Employment Office
West Palm Beach, Florida

The responses from these agencies have been very low. I would have difficulty in recalling more than a dozen applicants from these combined agencies in the last twelve months.

From January 1 to June 30 of this year, our personnel office interviewed 687 applicants, 126 of which were hired. During that same period, 92 employees terminated their employment for various reasons.

Despite prevailing economic conditions, our employment needs are not likely to be reduced in the near future. Because of increased customer services currently being offered by savings and loan associations (e.g., consumer financing, NOW accounts, etc.), we are anticipating that our employee/asset ratio will be increased for the purpose of providing and maintaining those additional services. For example, since October 1980, we have added more than 12,000 NOW accounts to our business, with a corresponding increase in our processing and clerical workload. In that same time period, our drive-in facility transactions almost tripled in volume.

Our personnel records substantiate our position that the savings and loan business offers attractive and rewarding career opportunities to employees who begin working with us, even at the entry-level. Seven of our current eighteen branch office managers began employment with us in entry-level or other type clerical positions. In the last 12-month period, 53 of our employees were promoted into higher-paying positions.

We find it difficult to understand why large expenditures of federal and state funds are made to initiate and maintain programs that do not appear to address the employment problems we have been experiencing. We would have anticipated a large influx of laid-off CETA participants applying for our advertised positions as a result of the CETA funding cut-off, but that has not been our experience.

In conclusion, we suggest that the "unemployment problem" . . from our point of view at least . . is not so much a lack of job openings as it is the disincentives built into funded programs that apparently divert people from the competitive job market.

First Federal Savings & Loan Association
of Lake Worth

Tom Chappell
Personnel Director

U.S. Department of Labor

Employment and Training Administration
1371 Peachtree Street, N.E.
Atlanta, Georgia 30367

JAN 27 1981

Reply to the Attention of: 4TGCAS-B

CERTIFIED MAIL No. 789916
Return Receipt Requested

Dr. Charles R. Russell
Director
Division of Employment and Training
1320 Executive Center Drive
Atkins Building
Tallahassee, Florida 32301

Dear Dr. Russell:

This is in response to your letter of January 16, 1981, which transmitted to us a copy of your report to the Governor concerning a CETA-funded trip to New York by the Union of Concerned Parents, Inc. (your contract No. 80 ET-90-12-00-08-003).

Included in your report, was a draft of a letter from you to Alexander Grant and Company requesting an immediate full audit of your contracts with the Union of Concerned Parents, Inc. We request that an audit of the above-mentioned contract be conducted immediately. The October 20, 1980, monitoring report of the contract prepared by the Bureau of Independent Monitoring suggests several areas of possible questioned costs.

Those costs associated with travel of thirteen CETA participants to New York will ultimately be disallowed by the Grant Officer, per CETA Regulations, Section 676.40-2(c)(4)(ii). This section states:

> (4) Travel costs to enable participants to participate in programs under the Act are allowable. Such travel shall be restricted to the recipient's jurisdiction or within daily commuting distance, except:
>
> (i) To pay for transportation costs at the beginning and end of a training course which is more than daily commuting distance but within the State in which the recipient is located;
>
> (ii) As permitted for good cause by the RA, on a case-by-case basis, within the U.S.

RECEIVED
FEB 2 1981
Director's Office
Div. of Employment & Training

On page 3 of your report, you cite 20 CFR 676.41-1(d) and state that "Under these provisions there is no need for a regional administrator's approval." This interpretation is incorrect. Section 676.41-1, "Classification of Costs by Category" does not define "allowable" costs but rather defines, if allowable, under which cost category the expenditure is reported. Also please note that had such participant travel been approved per 676.40-2(c)(4)(ii), such costs should have been reported as services, per 676.41-1(e).

Upon completion of the audit, please furnish the findings to this office of this contract. Any additional questions should be directed to your Federal Representative.

Sincerely,

James A. Payne

JAMES A. PAYNE
Grant Officer

cc: Secretary Orr

STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL

EXCERPTS OF AUDIT FINDINGS ON
COMPREHENSIVE EMPLOYMENT TRAINING ACT GRANTS
FROM AUDIT REPORT NO. 9629 ON
THE DEPARTMENT OF COMMUNITY AFFAIRS
FOR THE FISCAL YEAR ENDED JUNE 30, 1978

Audit Report Par. No.

Federal Programs

(15) As part of our examination of the Department's financial statements for the fiscal year ended June 30, 1978, we made a study of compliance matters of direct Federal grants-in-aid funds in accordance with the General Accounting Office STANDARDS FOR AUDIT OF GOVERNMENTAL ORGANIZATIONS, PROGRAMS, ACTIVITIES AND FUNCTIONS, and generally accepted auditing standards established by the American Institute of Certified Public Accountants.

(16) Most Federal funds received by the Department are for subgrants to local governments and nonprofit corporations which actually disburse the funds for program operations. Since most of the subgrants are made by lump-sum advance payments, the Department's auditing and monitoring is necessarily done after the grant expenditures have been made. Agreements between grantors and the Department generally provided for audit of grant operations by independent auditors. Most of the audits are performed by external auditors; however, some are made by internal audit units of counties or municipalities. The audits usually include reviews of accounting records, internal controls, budgets, general program requirements, and special grant conditions. After audit findings pertaining to subgrantees have been reviewed by Department personnel, administrative hearings are sometimes required by the grantor agency to determine if any costs questioned by the auditors should be tentatively allowed or disallowed. Lack of adequate documentation for reported costs charged to a grant is frequently the basis for questioned costs. Additional documentation or other determination may allow some costs originally questioned to be accepted. If ultimately disallowed by the Federal grantor, questioned costs may require a refund by the subgrantee or grantee. Subsequent grant awards can be adjusted for costs not allowed or documentation of additional State or local matching can be used to satisfy the deficiency.

(18) Our review of the Department's administration of various grant programs included a review of operating procedures for the disbursement of grant funds to recipients and the procedures for monitoring and evaluating financial and program reports submitted by subgrantees. Our review did not include an examination of records of the numerous subgrantees which actually disbursed the funds. Because of weaknesses as discussed in the succeeding paragraphs our review of the Department's procedures for awarding grants, disbursement of grant

Audit Report Par. No.

funds, and evaluating subgrantee reports is continuing in an audit of the Department currently in progress.

(19) We did examine selected grant contracts, available Department records, and independent audit reports, and we reviewed the records of one subgrantee. Our examination indicated that the Department's financial and program monitoring of subgrantees was not sufficient in some areas. Many subgrantees were late in submitting required financial and progress reports and some reports were not available. Numerous Comprehensive Employment and Training Act (CETA) contract close-out reports required of subgrantees were overdue at June 30, 1978. Many of these had still not been received in May 1979. Many agencies owed funds to the Department, which as grantee, in turn, owed the U. S. Department of Labor for amounts advanced but unearned at the completion of the grant periods.

(91) Written instructions were developed and adopted for recording acquisition and transfer of property purchased by subgrantees with Federal funds for which title rests with the Department under the provisions of Federal Management Circular 74-7, attachment N. A physical inventory of property in the custody of Comprehensive Employment and Training Act (CETA) Program subgrantees was not completed until subsequent to the audit period. At the conclusion of my review of the Department's tangible personal property records, the results of this physical inventory had not been reconciled with the property records.

(20) The former Secretary, in his response to paragraph 45 of audit report No. 9299, indicated that the Department's internal auditors would implement an audit program which would include a review of subgrantee financial reports. The Internal Audit Supervisor indicated that other duties assigned to this section have precluded the verification of ongoing subgrantee financial or program activity. The Department should review the duties assigned to the Internal Audit Function. Considering the amount of grant funds disbursed by the Department and its subgrantees, available internal audit resources should be used as much as practicable for review of contract compliance and the completeness and accuracy of records and reports.

(21) Because of questions brought to our attention concerning the propriety of award procedures, expenditures, and related matters, our examination of grant contracts was extended to include a review of the financial activities of the Florida State Association of Cooperatives, a nonprofit corporation and a recipient of funds awarded by the Department of Community Affairs. During the 1977-78 fiscal year, this grantee received Federal funds from the Department under CETA programs and the Community Services Administration programs. Our examination of this area is continuing.

(22) Objectives of the Florida State Association of Cooperatives, located in Archer, Florida, included the promotion of Statewide programs and instititions for the training of persons interested in the formation and development of all types of cooperatives and making

Audit Report Par. No.

technical and financial resources available to existing cooperatives. The various cooperatives are organized for the purpose of serving low income families desiring to improve their economic standards and quality of life. Members of the cooperatives band themselves together in economic self-help cooperative projects to assist each other in improving conditions at the community level. Member cooperatives of the Association include cooperatives for small farmers and cooperatives for handicraft workers. The Association's Board of Directors includes representatives of various member cooperatives. The staff of the Association is headed by an executive director and a deputy director.

(23) The Department awarded the following funds to the Florida State Association of Cooperatives:

Grant/Contract Number	Type	Period of Contract	Amount Received
78-CS-GCP-3-112-8	CSA	10- 1-77 to 9-30-78	$ 40,564
78 MP-I-05-112-08A	CETA Title I	8- 2-77 to 9-30-78	210,106
78 MP-I-05-112-08	CETA Title I	10- 1-77 to 9-30-78	253,154
78 MP-106-3-112-8	CETA Title I, Section 106	7-11-77 to 9-30-78	166,231
78 MP-6-M-Z-8P5	CETA Title VI	7-11-77 to 7-10-78	206,747
Total Amount Received from 7-1-77 to 9-30-78			$876,802

(24) The Association maintained separate records and bank accounts for each of the five contracts. We noted that checks were drawn on accounts applicable to some contract(s) and deposited into accounts applicable to other contract(s). Available records indicated that these transactions were to reimburse one account for costs incurred which were applicable to other accounts. The condition of the records was such as to preclude, within a reasonable time, a determination of the correctness of the transactions or whether receivables and payables existed between the various contracts. The ledgers for three of the contracts were not available.

(25) In her written response to paragraph 24 above, the Secretary stated that ". . . Ledgers are available for all accounts, and the propriety of interfund transfers has been determined." The three ledgers which we stated were not available were finally furnished to us by the Executive Director, Florida State Association of Cooperatives, on January 28, 1980, when we met with her along with the Department's Internal Audit Supervisor to afford the opportunity for records and documentation, previously unavailable, to be furnished. However, at that time the Executive Director still did not furnish documentation to substantiate the statement that the propriety of all interfund transfers has been determined.

(26) During the period March 1, 1978, to July 31, 1978, the Association paid its President $511.20 from contract funds to provide

Audit Report Par. No.

membership training, recruitment, and organization for the Central Florida Progressive Farmers Cooperative. There was not sufficient documentation available to identify the specific activities performed, the results achieved, his qualifications to provide services as a consultant, or the method by which he was selected.

(27) A consultant was paid $700 per week for six weeks to teach eight participants bookkeeping. There was not sufficient documentation available as to how the consultant was selected or how the consultant's qualifications to teach bookkeeping were verified. The Executive Director stated that she selected the consultant on the basis of her personal knowledge of the consultant's experience and credentials.

(28) The Secretary, in response to paragraph 27 stated that the Executive Director of the Florida State Association of Cooperatives advised the Department that the staff of the Auditor General did not request documentation relative to the consultant's qualification to teach bookkeeping. To the contrary, two members of my staff discussed this audit finding with the Executive Director on October 24, 1979, and requested documentation as to the consultant's qualifications, how they were evaluated, and how the consultant was selected. On November 29, 1979, the Executive Director provided a member of my staff a copy of a resume of the consultant's qualifications; however, we have not been furnished satisfactory documentation as to how the consultant was selected or how his qualifications were verified. We again met with the Executive Director and the Department's Internal Audit Supervisor on January 28, 1980, at which time the Executive Director acknowledged that we did request the information. We still have not been furnished the requested information.

(29) Various officers and employees of the Association and its member cooperatives were also officers and stockholders of the Central Florida Feeder Pig, Inc., a nonprofit corporation. The Executive Director stated that the activities of these organizations were related to the overall activities of the Federally funded programs. Each organization is an independent legal entity and operates pursuant to those legal requirements applicable to the form of organization by which they were created.

(30) There was documentation available at the Association indicating that these corporations had the same business address as the Florida State Association of Cooperatives. There was no documentation available to show any allocation of cost to these organizations for the use of the Association's facilities or for other benefits provided by the Association. Accounting records and procedures should be instituted which would provide for the proper allocation of joint cost among the various associated legal entities in order to document the proper allocation of costs applicable to the Federally funded programs and those costs applicable to the operations of the individual organizations.

Audit. Report Par. No.

(31) In response to paragraph 30, the Secretary stated that the Office of Manpower Planning did not enforce the provision of contracts which required an approved cost allocation plan but the requirement is currently in effect and is being enforced by the Office of Manpower Planning. Although, as the Secretary pointed out, the Department failed to enforce the provisions of its contracts which required approved cost allocation plans, the point of this audit finding is not that cost allocation plans were not established and enforced. Rather, the point of the audit finding, which was not addressed, is that two corporations, aside from the grantee corporation with which the Department contracted and granted public funds, were receiving some benefit from an unrecorded amount of the public funds. No records were available to show whether such amounts were proper program costs allocable to the Department's contracts or were for purposes outside the scope and authority of the contracts. To our knowledge, the Department still has not made such a determination applicable to the contracts included in this audit for the period July 1, 1977, through September 30, 1978.

(32) The records showed that the Association organized seven events for staff and participants paid under the various contracts with the Department of Community Affairs. The events included four quarterly workshops, two field trips, and one annual Association meeting.

(33) One field trip was to Palmetto, Florida, on May 25 and 26, 1978. Cost included the following:

$1,421.00	Rental of Two Greyhound Buses
523.59	Cost of Meals
168.20	Rental of Two Vans
658.28	Staff Travel Expense
$2,771.07	Cost Accumulated From Records

(34) A second field trip was to Epes, Alabama. Cost included the following:

$ 2,004.50	Rental of 65 Motel Rooms
4,794.60	Rental of Three Greyhound Buses
311.26	Cost Charged by Continental Bus Co.
1,950.00	Food Allowance for 65 Persons
1,157.26	Staff Travel Expenses
$10,217.62	Cost Accumulated From Records

(35) The Association held an annual meeting in Gainesville, Florida, on July 21 and 22, 1978. Costs included the following:

Audit Report Par. No.		
	$ 5,078.00	Rental of 135 Motel Rooms and Cost of a Banquet (Cost of Banquet was Computed at $7 per Person for 280 Persons)
	879.50	Cost of Meeting Rooms at Motel
	1,706.70	Rental of Three Greyhound Buses
	4,391.17	Cost of Food and Kitchen Supplies
	759.20	Rental of Stage, Chairs, Tables, and Tent
	53.04	Rental of Piano
	371.38	Staff Travel Expense
	298.93	Other Expense
	$13,537.92	Cost Accumulated From Records

(36) The above costs do not include allotments paid to participants to attend. Participants were paid an allotment from grant funds to attend the annual meeting. Although the Florida State Association of Cooperatives reported the annual meeting as a workshop, an analysis of expenditures and a review of the agenda indicated that the annual meeting was largely a social function for entertainment. Federal Management Circular 74-4, attachment B, paragraph D(4), provides that cost of amusements, social activities, and incidental cost relating thereto, such as meals, beverages, lodging, rentals, transportation, and gratuities, are unallowable.

(37) Participants were required to attend the annual meeting and to pay registration fees of $10 for individuals or $15 for families. This practice appears to conflict with the provisions of the Federal Register, Vol. 44, No. 65, paragraph 676.65(b), which provides that no organization may charge a fee to any individual for the placement of that individual in any CETA program.

(38) In response to paragraphs 32 to 37 above, the Secretary stated that ". . . Registration fees were not a prerequisite for placement of a participant in a CETA program." However, as we state in paragraph 37, the CETA program participants were required to attend the annual meeting and were required to pay registration fees.

(39) The Executive Director advised us that the Association maintained accounting records and a bank account for an account entitled General Operations. This account was used to account for funds collected from fund raising activities held at such events as the annual association meetings, and from donations. She further advised that these funds were spent for expenses not authorized under the Federal grant contracts. There were several checks drawn on the various bank accounts of the contracts and deposited into the bank account for General Operations. Often, the records did not indicate an explanation for these transactions. The Executive Director stated that the registration fees were used to defray the expenses incurred for the dance facilities and other social activities; however, sufficient records and documentation were not available to show the actual disposition of the registration fees or the extent to which they were applied to the social activities.

Audit Report Par. No.

(40) In response to paragraph 39, the Secretary stated that ". . . The executive director, FSAC, states that records are available to establish the purpose of checks drawn from grant program accounts to the general account. It appears that your finding is inconsistent with audit reports of our independent audit firm." My staff discussed the lack of documentation to support amounts transferred from grant program accounts to the general account with the Executive Director of Florida State Association of Cooperatives on October 24, 1979. We were not furnished the documentation at that time. The lack of documentation was again discussed with the Executive Director on January 28, 1980, at which time complete documentation of amounts transferred was still not provided.

(41) The procedure of requiring participants to pay registration fees and deducting the registration fees from the participants' program allotment appears to be a method whereby Federal program funds are reclassified to avoid the provisions of Federal Management Circular 74-4, attachment B, concerning unallowable program costs for entertainment.

(42) In response to paragraph 41 above, the Secretary stated that "FSAC procedure for the payment of registration fees by member cooperatives is not a method whereby Federal program funds are reclassified to avoid the provisions of Federal Management circular 74-4, attachment B." However, as stated in paragraph 39, the fact remains that Federal program funds were transferred from the program accounts to the general account and records were not sufficient to explain all of the transfers. The Executive Director did state, as mentioned in paragraph 39, that these funds were used for entertainment, social activities, etc. I can only conclude from the Executive Director's statements that she feels the program funds spent for entertainment and social activities were properly spent.

(43) At the time of our review of the activities of the Florida State Association of Cooperatives, an independent accounting firm was in the process of performing a management audit pursuant to a contract with the Department of Community Affairs. At the time of our fieldwork, the accounting firm had not completed the audit. On February 1, 1980, the accounting firm transmitted its audit report (which is a matter of public record) to the Department of Community Affairs. The audit report contains numerous findings of weaknesses in the internal control and records of the Florida State Association of Cooperatives and lists numerous costs which are questioned as to propriety of payment from public funds.

(44) Our review of the Florida State Association of Cooperatives indicates that the grantee's records are insufficient to support information reported to the Department. As discussed above, our review also raised a number of questions as to whether certain expenditures of grant funds were proper or allowable under the grant contracts. The Department should take steps to address these questions and have them resolved by appropriate Department personnel, or by coordination and agreement with the independent accounting firm that audited the Association. The Office of Manpower Planning, which administers the CETA grants, was transferred to the Department of Labor and Employment Security on October 1, 1979. The Department of Community Affairs should coordinate the resolution of any exceptions applicable to CETA contracts with the Office of Manpower Planning.

STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL

EXCERPTS OF AUDIT FINDINGS ON
COMPREHENSIVE EMPLOYMENT TRAINING ACT GRANTS
FROM AUDIT REPORT NO. 9834 ON
THE DEPARTMENT OF COMMUNITY AFFAIRS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Audit Report Par. No.

General

(21) The Department had not established adequate procedures to verify that employees hired possessed the qualifications listed on their employment applications. As a result, personnel have been employed by the Department who do not possess the qualifications required for the positions they filled.

(24) Documentation was not available, in some instances, to show how Federal funds were allocated. Consequently, we were unable to determine that Federal funds were distributed in accordance with Federally approved allocation plans.

(25) Monitoring programs for reviewing the activities of subgrantees were ineffective. The contracts with some subgrantees were so vague, as to grant objectives and expected accomplishments, that monitoring program activities would be extremely difficult.

(26) Questioned costs result when Federal funds are not expended in accordance with Federal guidelines or when records are insufficient to document that monies were properly spent. Large amounts of costs have been questioned in audits of the Department's subgrantees performed by private accounting firms. In some instances, the Department's follow-up on costs questioned by private accounting firms was not timely.

(28) The internal audit office was assigned administrative duties concerning the disposition of questioned costs noted in reports of private accounting firms engaged by the Department to audit subgrantees. This required a significant amount of employee time which should have been available to perform internal audits; i.e., reviewing administrative and management controls of the programs where significant questioned costs occurred. While the review of questioned costs and their causes would certainly be a concern of the internal audit office, the administrative process for disposition of questioned costs is a program function and should not be assigned to the internal audit function. The internal audit office should be independent of program operations so that it can report to management as to whether management policies are being carried out and whether prescribed procedures are being followed. The responsibility for disposition of questioned costs should be assigned to appropriate program personnel.

Audit Report Par. No.

Program Administration

(40) Prior to October 1, 1979, the Office of Manpower Planning was organized into three units; the Program Planning and Operations for the Balance of the State Section, the Statewide Manpower Planning Information and Coordination Section, and the Management Information Services Section.

(41) The scope of our examination included a review of the operations of the Office of Manpower Planning for the period July 1, 1978, to September 30, 1979, when the CETA program was transferred to the Department of Labor and Employment Security, Division of Employment and Training. The objectives of our examination were to:

1. Determine the adequacy of systems and procedures in effect for allocating CETA funds, monitoring the subgrants awarded, and follow-up on CETA program accomplishments.

2. Identify significant functional and procedural changes in program operations (which had occurred at the time of our review) after the CETA program was transferred to the Department of Labor and Employment Security.

3. Determine the adequacy of records and procedures for recording and reporting grant funds received.

(42) Program Proposals. Governmental units and private organizations submitted proposals for programs to be funded by CETA grants either to the Bureau of Program Planning and Operations for the Balance of the State or the Bureau of Statewide Manpower Planning, Information and Coordination, depending on the title and section of CETA under which a proposal would qualify. The proposals were reviewed and evaluated by the staff of the appropriate Bureau and presented to the appropriate manpower council with staff recommendations as to which proposals should be funded.

(43) There were no records to indicate that program operators were required to meet minimum qualification standards prior to being awarded CETA funds. Reasonable assurances that prospective operators had adequate and competent personnel to successfully operate CETA programs were not obtained. Some program operators did not perform in accordance with program guidelines and contract requirements. A system is needed which would require program operators to meet minimum standards before being qualified to receive funding. Written standards should be developed and a file should be established on each program operator documenting administrative capabilities and, if applicable, previous performance as a program operator.

(44) Many of the organizations that submitted proposals had previously received CETA funds and had been audited by a private accounting firm and monitored by the staff of the Office of Manpower Planning. However, there was no documentation available to show that

Audit Report Par. No.

the Manpower Councils were presented information or findings from any of the audit reports or monitoring reports for use in evaluating an operator's previous performance. The Inspector General at the Department of Labor and Employment Security also advised that such information was not provided to the Manpower Councils. Our review indicated that the Councils relied primarily on the recommendations of the staff of the Office of Manpower Planning. The audit reports and the monitoring reports should be made available to the members for their review and consideration.

(45) The Secretary of the Department of Labor and Employment Security in his written response to paragraph 44, states that these documents are not used by the Councils when funding considerations are made. In view of the comments concerning the subsequent performance of some program operators, the serious problem of inadequate review and consideration of previous program performance would appear to mandate a review of such reports by the Councils. In the absence of such reviews, it is not readily apparent how the Councils arrived at independent judgments as a basis for their advice concerning the award of contracts under the program.

(46) The minutes of the Manpower Council meetings were recorded on cassette tape and subsequently transcribed to written reports. The tapes were not properly labeled and filed, making it difficult to locate and account for all of the tapes, and the minutes transcribed from the tapes were condensed to an extent that it was difficult to determine if several contracts had been approved by the appropriate Manpower Council. Written procedures are needed to define minimum requirements for recording and filing the minutes of meetings of the Manpower Councils.

(47) Contract Negotiation and Management. Approved program proposals were assigned to contract managers with responsibility for negotiating contracts with the program operators and providing technical assistance to the program operators during the contract period. Our review disclosed that documentation of the negotiation process was not sufficient to clearly show how decisions were made or to fix responsibility for contract development. In some instances, it appeared that contracts were actually negotiated by someone other than the assigned contract manager and some contracts had been modified without documented action by or approval of the contract manager. Written procedures for contract negotiation with the program operators are needed. Policies and procedures should be established specifically defining responsibilities and authority of the contract managers for negotiating contracts and providing technical assistance to the program operators.

(48) Contract Approval by the Legal Staff. After the contracts had been developed between the State and the program operators, they were submitted to the Department's legal staff for review and approval. The Department did not have written documentation as to the scope of review for which the legal staff was responsible; however, we were advised by the General Counsel that the review by legal staff was

Audit Report Par. No.

restricted to legal form only. In our opinion, several of the contracts as noted on pages 9 to 12 of this report were so vague and general in the description of program activity as to preclude determination of the specific activities to be performed by the program operators, the manner of contract performance, or whether the activities to be performed were authorized by the Comprehensive Employment and Training Act.

(49) Written procedures are needed requiring the review of all contracts and all modifications thereto as to legality of form, the authority for specific activities to be performed by the program operators, and to identify specific provisions of the Federal Comprehensive Employment and Training Act under which the activities to be performed by the program operators are authorized.

(50) Independent Monitoring Unit. The operations of the program operators are monitored to determine whether they are in compliance with the provisions of the contracts and CETA rules and regulations. Prior to October 1, 1979, the contract managers performed the monitoring function; subsequently, a separate monitoring unit was created within the Division of Employment and Training of the Department of Labor and Employment Security. The monitoring activities included visiting the locations of the program operators, reviewing financial and programatic activities of program operators, and issuing monitoring reports on the operations of the program operator. Federal Register, Volume 44, No. 65, paragraph 676.75-2(a)(1), states, in part, that the Prime Sponsor, as part of the internal program management procedures, shall establish a monitoring unit which shall be independent of, and not accountable to, any unit being monitored. Paragraph 676.75(2), states, in part, that the monitoring unit shall review all program activities and services and program administration and management practices which would include those of the Division of Employment and Training. The monitoring unit is now located within the Division of Employment and Training and reports direct to the Division Director. In our opinion, the monitoring unit should be organizationally independent of the unit whose program administration and management are being reviewed.

(51) The Secretary of the Department of Labor and Employment Security in his written response to paragraph 50 concludes, for a variety of reasons, that the independent monitoring unit is at the proper organizational level. He does not, however, state why the coordination and follow-up cited in his response could not be as easily achieved in an organizational structure where the "watch dog" was not under the control of a division director with immediate responsibility for program operations. He also raises the point that programs administered under the "Governor's Special Grants" are excluded from the specific requirements of regulation 676.75-2. In view of the program administration problems involving CETA grants, prudent management would appear to indicate the need for a strong and independent monitoring activity for all programs.

Audit Report Par. No.

(52) Audits of Program Operators. Each program operator's records were subject to audit by a private accounting firm pursuant to a contract with the Department. Prior to October 1, 1979, the audit reports of those program operators selected for audit were submitted to the internal audit staff of the Secretary of Community Affairs for review. After October 1, 1979, the audit reports were submitted to the Inspector General's staff, an organizational unit within the Department of Labor and Employment Security. Current procedure calls for a review of the audit reports by the Inspector General's staff after which letters are sent to the program operators requesting refunds for costs determined to be unallowable under the various provisions of the Federal Comprehensive Employment and Training Act.

(53) Neither the Department of Community Affairs nor the Department of Labor and Employment Security kept subsidiary records of outstanding questioned costs disclosed in the audits by the private accounting firm of the several hundred program operators' records. Because of the lack of records and current information as to the ongoing status of the disposition of questioned costs, the Department's records were not sufficient to show any contingent liabilities applicable to such questioned costs. Subsidiary records of questioned costs and their subsequent disposition should be established.

(54) Administrative Hearings. Department of Community Affairs rules allowed the program operators to challenge the findings of the audit reports and to request an administrative hearing. A Hearing Officer, designated by the Director of Office of Manpower Planning until October 1, 1979, and thereafter by the Director of the Division of Employment and Training, scheduled meetings with the program operators. At the administrative hearing, members of the Department of Community Affairs internal audit staff until October 1, 1979 (thereafter, members of the Inspector General's staff), presented to the Hearing Officer reasons for questioning those costs listed in the audit reports on the program operators as unallowable. The program operators are allowed to present any documentation or evidence to support justification of costs which were questioned. The Hearing Officers review and evaluate available evidence and make recommendations for disposition of the audit findings. The Hearing Officer was an employee of the Office of Manpower Planning (now the Division of Employment and Training) which was responsible for the administration of the CETA programs.

(55) Questioned costs may be caused to some extent by administrative deficiencies in the Office of Manpower Planning (Division of Employment and Training) as well as by the subgrantee. In the case of R.L.H. and Associates, Inc., consultant Rodney Hurst was paid $12,578 for work he did not perform. The Office of Manpower Planning is responsible for approving all consultants prior to a subgrantee's hiring them. However, that office did not approve the hiring of Mr. Hurst. In several requests for payments, R.L.H. and Associates, Inc., disclosed that payments were being made to Mr. Hurst but no exception was taken by the Office of Manpower Planning. Under

Audit Report Par. No.

such circumstances (determining the disposition of the $12,578 in questioned cost) it would be difficult for an employee of the Office of Manpower Planning (Division of Employment and Training) to act as an independent hearing officer. Rule 9F-11, Florida Administrative Code, provides that hearings related to audit findings shall be held under the authority of Section 120.57(2), Florida Statutes, before the Director of the Division of Employment and Training. Section 120.65, Florida Statutes, the Administrative Procedures Act, provides that the Department of Administration shall employ hearing officers to conduct hearings required by Chapter 120, Florida Statutes, or other law. In the event that the Department of Administration cannot furnish hearing officers, Section 120.65(3), Florida Statutes, provides that hearing officers shall be appointed from agencies other than the requesting agency. We recommend that the Department of Labor and Employment Security obtain from the Attorney General clarification as to the propriety of its practices in appointing hearing officers.

(56) Records and General Administration Procedures. A program operator can have several contracts during the same period under the various titles and sections of the Federal Comprehensive Employment and Training Act. Our review of the contract filing system and supporting records indicated that there was no centralized file for each program operator. Instead there was a system of separate files for program proposals, Manpower Council approvals, contracts, audit reports, monitoring reports, and correspondence. This contract filing system would preclude, without time-consuming reconstruction of the files, a determination that all events were accounted for applicable to a particular contract from the original program proposal to the program termination. The Department of Labor and Employment Security which, effective October 1, 1979, was assigned custody of this file system, should prescribe an adequate record filing system to provide for proper documentation to support all decisions made in the administration of CETA contracts.

(57) In the preceding paragraphs concerning the CETA program we have pointed out specific weaknesses in the Department's procedures for allocating funds to subgrantees, for monitoring subgrants awarded, and for follow-up on CETA program accomplishments. Where appropriate, we have noted conditions regarding these deficiencies after the program was transferred to the Department of Labor and Employment Security. Following are discussions of several subgrant awards to program operators which illustrate some of the program deficiencies previously discussed.

(58) Florida State Association of Cooperatives. As noted in audit report No. 9629, paragraph 21, we reviewed the operations of the Florida State Association of Cooperatives, a recipient of CETA funds awarded by the Office of Manpower Planning (as of October 1, 1979, the Division of Employment and Training). In audit report No. 9629, paragraph 44, we noted that the Association's records were insufficient to support information submitted to the Department. The review also raised a number of questions as to whether certain expenditures of grant funds were proper or allowable under the grant

Audit Report Par. No.

contract. We also reported in audit report No. 9629, paragraph 43, that a private accounting firm performed a management audit of the Association pursuant to a contract with the Department of Community Affairs. The audit report of the accounting firm (transmitted to the Department of Community Affairs, February 1, 1980) disclosed numerous findings of weakness in the internal control and records of the Florida State Association of Cooperatives and listed numerous costs which were questioned as to propriety of payment from public funds. According to the Inspector General of the Department of Labor and Employment Security, the Department plans to hold a hearing with Florida State Association of Cooperatives personnel to resolve findings noted in the private accounting firm's audit report. As of the date of this report, the findings in the audit report had not been resolved. We were informed by the Assistant Director of the Division of Employment and Training that records of the Association applicable to the grant funds in question have been destroyed by fire. We were offered no satisfactory explanation as to why either the Department of Community Affairs or the Department of Labor and Employment Security did not move immediately to secure the necessary records during the time lapse between the audit and the subsequent fire which allegedly destroyed the records.

(59) The Secretary of the Department of Labor and Employment Security in his written response to paragraph 58 states that there was no need for the Department of Labor and Employment Security to secure these records since the subgrantee was required to retain them. Why the Division of Employment and Training personnel, after being advised, in both our audit report No. 9629 and the report of the private auditors, of serious administrative deficiencies, would continue to rely on the subgrantee to retain and adequately protect these records is not clear. This is particularly difficult to understand when these records would ultimately provide evidence as to the nature and extent of any improper administrative practices.

(60) As noted in audit report No. 9629, paragraph 59, Mr. Ernest S. Urassa had the position of Manpower and Operations Administrator until October 1, 1979, when he was transferred to the Department of Labor and Employment Security at which time his position was reclassified to Chief of the Balance of State. In both positions, Mr. Urassa's responsibilities included reviewing applications submitted by subgrantees for CETA grants and recommending approval or disapproval of the applications to the Balance of the State Prime Sponsor Advisory Council (including various applications submitted by the Florida State Association of Cooperatives of which Ms. Lynette G. Curry was Executive Director).

(61) A review of the minutes of the meeting of the State Prime Sponsor Advisory Council on August 18, 1978, indicates that Mr. Urassa presented to the Council the goals and accomplishments of the Florida State Association of Cooperatives and that Mr. Urassa recommended additional funding for the Association for the 1978-79 fiscal year. The minutes of the Council meeting show that Mr. Urassa stated, in response to a Council member's question concerning the availability of

Audit Report Par. No.

progress reports on the Association, that the Association was meeting its goals and that all reports were good.

(62) Records available at the Department of Community Affairs show that on the date of his employment by the Office of Manpower Planning in August 1977, Mr. Urassa designated Ms. Lynette G. Curry as the primary beneficiary to his State of Florida Group Life and Accidental Death Insurance Policy. In addition, Mr. Urassa designated Ms. Curry as the beneficiary to receive any benefits accrued under the State Retirement System. Mr. Urassa and Ms. Curry, Executive Director of the Florida State Association of Cooperatives, were married on April 14, 1980.

(63) Federal Register, Volume 44, No. 65, paragraph 676.62(b), states, in part, that each recipient and subrecipient shall avoid organizational conflicts of interest and their personnel shall avoid personal conflicts of interest and appearance of conflict of interest in awarding financial assistance. The Department of Labor and Employment Security should review the propriety of further funding for the Florida State Association of Cooperatives. In view of the relationship between Mr. Urassa and Ms. Curry and its contribution to the appearance of a possible conflict of interest relative to Mr. Urassa's actions, we recommend, in the public interest, that the State Prime Sponsor Advisory Council and the Department of Labor and Employment Security review any and all subgrants made by the State, upon the recommendation of Mr. Urassa, to the Florida State Association of Cooperatives.

(64) The Secretary of the Department of Labor and Employment Security states in his written response to paragraphs 60 through 63 that no conflict or appearance of conflict of interest existed as to Mr. Urassa because Mr. Urassa did not decide the award of contracts. However, as discussed earlier in this report, and in the Secretary's response, the award of contracts appeared to be based in large part, if not wholly, on staff advice provided in this case by Mr. Urassa. Further, the subsequent administration of the contracts was under the immediate direction of Mr. Urassa as Chief of the Balance of State program.

(65) R.L.H. and Associates, Inc. The Office of Manpower Planning awarded a CETA subgrant to R.L.H. and Associates, Inc. (contract signed October 27, 1978, by the Director of the Office of Manpower Planning) in the amount of $90,100 for the period October 16, 1978, to September 30, 1979. The subgrant provided that R.L.H. and Associates, Inc., located in Jacksonville, would provide consulting services and technical assistance to various community based organizations (nonprofit corporations).

(66) A Grand Jury, impaneled in Duval County, filed a report on January 3, 1980, in the Circuit Court of the Fourth Judicial Circuit of Florida disclosing its findings on certain allegations concerning R.L.H. and Associates, Inc., its president and sole incorporator, Rodney L. Hurst and the CETA subgrant awarded to R.L.H. and

Audit Report Par. No.

Associates, Inc., by the Office of Manpower Planning. The findings of the Grand Jury stated that Rodney L. Hurst had caused checks to be written to himself in the amount of $12,578 for which he was not authorized or entitled under the provisions of the subgrant. Further, the report of the Grand Jury states that Rodney L. Hurst acknowledged that he was not authorized or entitled to the $12,578 and that he agreed to repay the funds to the Department of Community Affairs.

(67) At the request of Rodney L. Hurst, an administrative hearing was held on April 2, 1980, or three months after the date of the Grand Jury report, to allow R.L.H. and Associates, Inc., an opportunity to present evidence to support costs which had been questioned (including the $12,578 cited in the Grand Jury report) in an audit by a private accounting firm. The Assistant Director of the Department of Labor and Employment Security, Division of Employment and Training, functioned as the Hearing Officer. The minutes of the administrative hearing show that Rodney L. Hurst stated that he was, in fact, authorized and entitled to the $12,578 - a direct contradiction of the Grand Jury report which states that Mr. Hurst acknowledged that he was not entitled to the funds.

(68) The minutes of the hearing also show that the Hearing Officer, in response to Mr. Hurst's contention that he was entitled to the $12,578, advised Mr. Hurst that the matter would further be reviewed if Mr. Hurst could provide additional supportive documentation. Mr. Hurst did not provide additional documentation in the course of the hearing. The final order (dated May 12, 1980) allowed Mr. Hurst an additional 60 days from the date of the order to repay the funds. We were advised by the Assistant Director of the Division of Employment and Training that the funds had not been repaid as of September 16, 1980. On November 4, 1980, the Department of Labor and Employment Security offered Mr. Hurst the opportunity to repay the money at the rate of $200 per month with no interest. We were shown no legal authority for the Department to make such an offer. The Department of Labor and Employment Security did not but should have submitted the State's claim against Mr. Hurst to the State Comptroller for settlement pursuant to Section 17.04, Florida Statutes.

(69) In his written response to paragraph 68, the Secretary of the Department of Labor and Employment Security stated, in part, that "The authority for such a decision is 20 CFR 676.88 and a letter from the Grant Officer approving the repayment schedule." Since the secretary feels that the cited regulation provides an alternative authority for the settlement of this claim, we suggest he obtain clarification of his authority to settle accounts in this manner from the Attorney General.

(70) H.S.E. Consulting Group, Inc. The minutes of the meeting of the Special Grants Committee on July 20, 1979, show that the staff recommended, and the Committee approved, proposals to fund H.S.E. Consulting Group, Inc., and R.L.H. and Associates, Inc., separately in the amount of $75,000 each. A contract for the period of October 1,

Audit Report Par. No.

1979, to September 30, 1980, was executed between the Department and H.S.E. Consulting Group, Inc., for a total of $150,000 with a provision that R. L. Hurst would receive $70,000 from H.S.E. Consulting Group, Inc., as a subcontractor. We were shown no records which explained the difference between the proposed contract as approved by the Committee and the actual contract.

(71) The contract with H.S.E. Consulting Group, Inc., specified that the firm would provide advisory and technical assistance to community based organizations (CETA program operators). However, the contract did not specify the nature and extent of services to be performed by the consulting firm. The contract provides that H.S.E. Consulting Group, Inc., sponsor three seminars for the managers and staff of community based organizations; however, the contract did not specify when or where the seminars will take place or how many people were expected to attend.

(72) The contract documents included a budget of operational cost for the consulting firm on which the amount of the total contract was based. The budget provided funding of salaries for four consultants and one secretary in a total amount of $60,000. Other budgeted line items included $1,600 for health insurance; $1,305 rental of office equipment; $4,320 for rental of 800 square feet of space; and $1,800 for telephone service. The $70,000 to be paid to R.L.H. and Associates, Inc., for consulting services was a separate budgeted line item.

(73) The subcontract agreement between H.S.E. Consulting Group, Inc., and R.L.H. and Associates, Inc., also did not contain a clear definition as to the specific activities to be performed by the latter. The subcontract shows only that R.L.H. and Associates, Inc., would receive $70,000 in return for unspecified consulting services.

(74) The former Director of the Division of Employment and Training, in a letter dated January 23, 1980, to H.S.E. Consulting Group, Inc., approved several consultants, including Rodney L. Hurst, to represent R.L.H. and Associates, Inc. The former Director authorized a flat rate of $175 a day, inclusive of per diem, for each consultant. Discussion with the former Director disclosed that he considered the approval of Mr. Hurst appropriate because Mr. Hurst had been "cleared" by the Grand Jury. The failure to evaluate consultants and contractors in light of their previous performance constitutes, in our opinion, a serious deficiency in program administration since, as in this case, the consultants or contractors may have previously demonstrated an inability to properly administer or account for public funds. As previously noted, Rodney L. Hurst acknowledged that he caused checks to be written to himself on the accounts of a prior CETA contract in the amount of $12,578 to which he was not entitled.

(75) Florida State Minority Ventures, Inc. The Division of Employment and Training awarded a CETA contract to the Florida State Minority Ventures, Inc., in the amount of $480,000 for the period October 1, 1979, through September 30, 1980. The contract was awarded

Audit Report Par. No.

under the provisions of Title II, Subpart D (Special Grants to Governors) of the Federal Comprehensive Employment and Training Act (CETA).

(76) Documentation available at the Division's office showed that the organization was funded with CETA funds for the purpose of creating economic development within Florida through the identification and expansion of minority businesses into competitive industries in the State's economy. Our review of the Corporation's charter indicated that it was incorporated to procure established businesses; to provide technical assistance to minority business persons in business ownership and management; to acquire properties, assets, business, and goodwill of any person, firms, associations, or corporations and to export and import wholesale and retail merchandise of every kind and nature.

(77) As previously noted in this report concerning other contracts with other program operators, the contract awarded to Florida State Minority Ventures, Inc., is also vague as to the specific activities to be performed by the organization or as to specific measurable objectives. Federal Register, Volume 44, No. 65, paragraph 677.31, describes the purpose of Special Grants to Governors. Paragraph 677.37 of the Federal Register, the regulation under which the corporation was funded, specifies the activities for which funds may be used. Because the contract with Florida State Minority Ventures, Inc., lacked specificity as to activities to be performed by the organization, we were unable to determine whether the $480,000 awarded to Florida State Minority Ventures, Inc., was authorized under any provisions of the Federal Comprehensive Employment and Training Act (CETA).

(78) The operating budget for the organization showed that the funds were to be used to maintain staff and offices in five municipalities in Florida, including the central office located in Tallahassee. The budgeted line items included $243,892 for 22 salaried employees; $10,200 for automobile travel; $11,520 for air travel; $11,520 per diem; $56,342 for office equipment; $49,811 for office rent and utilities; $18,040 for communications; and $18,807 for consultant services.

(79) The contract budget approved by the Division of Employment and Training authorized the rental rather than purchase of office equipment. Reports filed by the subgrantee indicated that $19,224 was paid for rental of office equipment. The regulations of the U. S. Department of Labor provide that nonexpendable property be obtained by lease rather than purchase if it is in the best interest of the Department. The Department of Labor and Employment Security did not enter into its records justification for approving the rental of equipment rather than purchase. Our comparison of rental rates paid for the above-noted equipment with prevailing retail purchase prices in February 1981, for comparable equipment indicated that comparable equipment could have been purchased for the total amount of $5,630.50. Comparable equipment could have been leased for 11 months in February

Audit Report Par. No.

1981, for the total amount of $6,133.05 with title passing to the lessee at the end of lease period. The records made available to us did not indicate whether the subgrantee obtained title to the equipment leased.

(80) The Secretary of the Department of Labor and Employment Security in his written response to paragraph 79, indicated he was confused as to why we questioned whether title to the equipment had passed to the lessee. As mentioned in our comment, our comparison of lease costs paid with lease plans available in February 1981 disclosed that some lessors permit the lessees to acquire title to the leased property at no additional cost after a period of 11 months has passed. Since the lease period involved in the questioned equipment leases was in excess of 11 months, we attempted to determine if a similar title feature was included in these leases. Had such a feature existed, an identifiable additional benefit could be attributed to the substantial program expenditures. However, as noted, the records were inadequate to permit such a determination.

(81) The Department of Labor and Employment Security should make an immediate and appropriate investigation to determine the specificity of purpose for this grant and whether the public funds granted were properly expended.

(82) Florida Minority Business Owners, Inc. The Division of Employment and Training awarded a CETA contract to the Florida Minority Business Owners, Inc. (FMBO), in the amount of $65,000 for the period October 1, 1979, to September 30, 1980. The grantee's contract budget was approved including $9,202 for rental of office furniture and equipment. We were not shown justification for renting as opposed to purchasing the equipment. Documentation available at the Department of Labor and Employment Security was not sufficient to compare rental rates for individual items of equipment rented with purchase prices for comparable equipment.

(83) Union of Concerned Parents, Inc. The Special Grants Section, Bureau of Statewide Manpower Planning, Information, and Coordination, of the Office of Manpower Planning, awarded the Union of Concerned Parents, Inc. (UCP), a CETA contract for the period October 1, 1978, to September 30, 1979, in the amount of $147,000 to train youths ages 16 through 21 in fields of employment related to broadcast journalism. The UCP was awarded an additional CETA contract for the period October 1, 1979, through September 30, 1980, in the amount of $315,500 for the purpose of training youths ages 16 through 21 in employment related to theater and journalism. A monitoring report noted that the cost per participant under this grant was $21,033 per year. An additional CETA contract in the amount of $74,000 was awarded UCP for the period October 1, 1979, to September 30, 1980, to employ youths to construct a park.

(84) Our review of monitoring reports made by personnel of the Division of Employment and Training, contract documents, and internal audits performed by the Inspector General of the Department of Labor

Audit Report Par. No.

and Employment Security indicated that some expenditures reported as being made under these contracts were of questionable propriety as follows:

1. A monitoring report dated September 9, 1980, questioned the adequacy of documentation in support of equipment leases totaling in excess of $51,000 for the theater and journalism project. The report also questioned the lack of written justification for leasing equipment costing in excess of $1,000 without obtaining competitive bids required by U. S. Department of Labor procedures.

2. A monitoring report dated February 28-29, 1980, noted a $1,325 purchase of supplies from a vendor whose vice-president was also theatrical coordinator for the theater journalism project. The contract indicated that the theatrical coordinator position was budgeted at a salary of $875 monthly. The monitoring report questioned whether a conflict of interest prohibited by the grant contract existed.

3. A September 9, 1980, monitoring report on the theater and journalism project questioned the necessity of certain travel expenses in connection with a trip to New York by 13 participants and eight staff members (costing $9,379.80 according to Department of Labor and Employment Security records). A letter from the U. S. Department of Labor (Grant Officer) indicated that costs associated with travel of the 13 CETA participants to New York will ultimately be disallowed under CETA regulations, Section 676.40-2(c)(4)(ii).

   Although not specifically mentioned in the letter from the Department of Labor and Employment Security, we assume that the costs associated with the eight staff members (included in the $9,379.80) would also be disallowed.

4. An internal audit report on the park construction contract stated that the project was not performed in accordance with the contract. The nature of nonperformance related to the quantity of work being substantially less than that called for in the contract.

5. A request to increase grant funds on the 1978-79 broadcast journalism project for the purpose of renting office equipment, such as typewriters, file cabinets, and office furniture, was questioned in September 1979 by the Grants Coordinator of the Department of Community Affairs. The Grants Coordinator stated that the increase in contract funds

Audit Report Par. No.

was not justifiable considering that the proposed lease costs were in excess of purchase costs. The request was granted notwithstanding the objections raised.

(85) Our examination of the above-noted documentation indicated the need for review of applicable grant records of the subgrantee. On February 9, 1981, we requested that the Department of Labor and Employment Security arrange for representatives of this Office, as the Department's authorized representatives, to review the records of the Union of Concerned Parents, Inc. Despite attempts by the Department of Labor and Employment Security to telephonically arrange access to the records, we were denied access by employees of the UCP on February 10, 1981, and February 11, 1981. The Department then sent a special delivery letter on February 11, 1981, requesting that the subgrantee make the records available to us. Representatives of this Office confirmed that the UCP had received the letter of authorization; however, on February 17, 1981, we were again denied access to the records.

(86) The contract between the Department of Labor and Employment Security and UCP specifies that UCP will make its records available for audit by the Department's authorized representative. CETA regulations under which the contract funds were granted also require that the subgrantee make its records available for audit by the grantee's authorized representative.

(87) Because we were denied access to the records of the subgrantee (Union of Concerned Parents, Inc.), it was not possible to make a conclusive determination as to the propriety of expenditure of the public funds entrusted to the subgrantee. The other documentation available to us does, however, strongly indicate improper administration of these public funds. Therefore, we recommend that the Department of Labor and Employment Security secure immediate custody of all source documents bearing upon and accounting for these public funds; determine the allowability of expenditures financed by such funds to date; and take steps to recover any funds which may be improperly in the possession of, or which may have been improperly disbursed by, the subgrantee.

(123) Section 22A-7.03(3)(a)(1), Florida Administrative Code, states "In those agencies where the Federal Government requires that appointments be made from a limited number of eligibles having the highest ratings, appointments shall be made from among the top five available eligibles plus any other available eligibles who have the same score as the fifth available eligible and all such appointments shall be made from Certificates of Eligibles issued by the State Department of Administration." In selecting job applicants for employment the Department did not adhere to these requirements. For example, the Office of Manpower Planning generally did not hire from the top five eligibles (or those with scores equal to the fifth eligible) as required by the above-mentioned regulations. We also noted that, although not employed in a Federal program covered by the

Audit
Report
Par.
No.

above-mentioned rule, the Department hired a grants coordinator who was ranked as No. 217 on the Department of Administration's "Certificate of Eligibles." Notwithstanding that the application of the rule might be questionable as to some sections of the Department not directly subject to Federal employment regulations, and the change, effective July 1, 1980, permitting selection from the top 10 applicants, the basis for not employing the most qualified applicants for all available positions was not apparent.

(146) 3. A physical inventory of property in the custody of CETA subgrantees was made as of September 30, 1978. However, audit tests indicated that the amount of $2,006,109.04 in CETA equipment noted on the financial statement at June 30, 1979, had not been updated for many purchases of equipment made by CETA subgrantees subsequent to September 30, 1978. As of October 1, 1979, when the CETA property was transferred to the Department of Labor and Employment Security, the property records had still not been updated for CETA property purchased by subgrantees.

...D NEIGHBORHOODS TRAINING CENTER

...s H. Grant, Director

...North Capitol
...polis, Indiana 46202
...7654 ...29

August 21, 1981

BOARD OF DIRECTORS
...Tyler
...Ward
Michael G. Barth, Jr.
Charles W. Kinsley
L. H. Smith, Jr.
C. O. Alig, Jr.
...Zeun
Sam H. Jones
...E. Butler
...Stell
...Gustafson
...Kinney, Jr.
...Ex Officio
...Richmond, II
...Goss

BOARD OF GOVERNORS
...Ellis
...Fields
...Rose
...

The Honorable Dan Quayle, U.S. Senate
46 East Ohio Room 447
Indianapolis, Indiana 46204

Dear Senator Quayle:

The purpose of this correspondence is to present to you my thoughts and feelings both as a private citizen and as an educator administering a CETA Title IV YETP program serving 16 - 21 year old Marion County youth. Thank you and your staff, especially, Joe Watkins, for allowing me to give input into the field hearings you and your colleagues will be conducting in relation to the Comprehensive Employment Training Act. I hope that my input is of the caliber to effect at least a minimal influence in the proceedings.

Unemployment among 16 - 21 year old youth has reached, in my opinion, almost epic proportions in the last decade. Approximately one and a half years ago I heard columnist Carl Rowan discussing the unemployment picture. Mr. Rowan said that something like 75 per cent of 1980 high school graduates "will never become employed" if the employment projections are correct. For me, Senator Quayle, this is an alarming state of affairs to be confronting our economy.

*The following statistics reflect the current state of affairs:

A. National Unemployment Data as of April, 1981

B. State Unemployment Data, 1980

C. Indianapolis SMSA Data, 1980

* See attachment 1

Two (2) negative effects of the high level of unemployment come to mind immediately: (1) high crime and (2) subsequent incarceration for people performing criminal misdeeds. It is very possible, no!--probable, that frustration about the low prospects of getting jobs will result in more youths becoming involved in criminal acts. The perpetrators of these criminal acts will in turn be punished by incarceration; we all know, however, that the jails and prisons in our country are literally busting at the seams with people having committed criminal acts. The question is "where will these people be housed during their periods of incarceration if the jails and prisons are already overflowing?" I am sure there are other solutions but one solution that comes to mind immediately is for there to be a continuation of federal funds in some sort or form for effective training programs for youth which lead to unsubsidized employment.

Although unemployment among 16 - 21 year olds is high there are -- and will continue to be -- employment opportunities for people who know where and how to look for employment and those who have skills necessary to perform the jobs. The computer and electronic fields, for example, will be two of the biggest employers throughout the 1980's; these two areas, however, require persons who are trained in the fields and who require only a minimum amount of employer-based training once they are employed.

In my almost three years as executive director of an effective YETP program I have made a thorough and on-going assessment of the needs of the youth who attend the program. I shall now pass this information on to you, Senator. These needs presented in a hierarchical fashion, are: (a) employment, (b) vocational training, and (c) inner discipline.

Employment will become a reality for them provided the youth are trained properly. Inner discipline can be cultivated in these youth by putting them into a rigorous, rule-oriented training environment. Inner discipline is further cultivated through the use of work coping skills training which is aimed at helping these youth become rational and reliable adults. The program I administer, the United Neighborhoods Training Center (U.N.T.C.) has been designed over a 2½ year period to assist trainees in the realization of the above mentioned needs.

Conceived of jointly in 1977 by the president and program directors, respectively, of the Near North Development Corporation, Citizens Neighborhood Coalition, United Northwest Area, Inc., Midtown Economic Development and Industrial Corporation, and the Indiana Vocational Technical College, UNTC has repeatedly demonstrated that it is a vocational training institution capable of providing an environment in which "hard to employ" youth acquire vocational skills in housing rehabilitation, building maintenance, and clerical skills. Approximately 75 per cent of U.N.T.C.'s graduates have been employed over an almost three year period; 54 per cent of these persons employed as a direct result of U.N.T.C.'s endeavors are STILL EMPLOYED!

The primary emphases at U.N.T.C. are vocational and work-related coping skills training; the latter consists of interpersonal relations and good work habits such as regular attendance, adherence to employer policies and procedures, punctuality, etc. These skills are both taught and learned in an environment which emphasizes hard work, self-discipline, rational independence, and a good self-image.

Funding for U.N.T.C. and like programs come basically in the form of CETA funds. I feel that some sort of funds for training 16 - 21 year old youth should continue to exist based on both the needs of both the youths and the employers. The mechanism for the dispersion need not be CETA -- I, like many others, have problems with CETA -- but something should exist to fund youth training programs which demonstrate the effective delivery of services (viz, unsubsidized employment).

You might ask "Why fund such programs?" There are at least 2 major reasons for the necessity of funding youth programs: (1) to provide meaningful employment opportunities for the youth in our country's population and (2) to fill the needs of certain employers: employment of these youth will assist the overall economy of our country -- there will be more taxpayers thereby reducing still further the heinous inflation rate in these United States.

Further, I also believe that it will be deleterious to lump all training funds into one category, as has been suggested by some of your colleagues; it is conceivable that some of the most effective programs will be short-changed in favor of other larger, yet ineffective training efforts currently operating. I also believe that my feelings about keeping funds separate are in line with the feelings of at least some of our city Fathers.

Before I conclude this letter, I would also like to pose a suggestion or two which I believe will enhance any federally funded program based on my experimental involvement with CETA-funded programs. First, I believe that the subsistence stipend paid to CETA trainees should be discontinued. Such a move, in my opinion will enhance training programs in that being faced with the prospect of not receiving a stipend, only those students who are highly motivated will attend the programs. The main and most obvious positive effect will be a significant increase in the manifest success of such programs. Another suggestion is that federally-funded training programs educate employers in relation to the Targeted Tax Credit Program. Both suggestions, in my opinion are valid and worth scrutinity by you and your colleagues.

Once again, thank you Senator Quayle, for allowing me to give input into the congressional process. Please accept an open invitation to visit U.N.T.C. at any time.

Sincerely,

Charles H. Grant

Charles H. Grant,
Executive Director

CHG/jr

ATTACHMENT #1

A. National Unemployment Data as of April, 1981

1. Category	Unemployment Rate
a. 16 - 19 age group, All races, both sexes	19.1%

B. State Data (1980)

1. Category	Unemployment Rate
a. 16 - 19 age group, all races, both sexes	21.8%
b. 16 - 19 age group, non-white, both sexes	24.7%
c. 16 - 19 age group, white, both sexes	21.6%

C. Indianapolis SMSA 1980

1. Category	Unemployment Rate
a. 16 - 19 age group, all races, both sexes	18.0%
b. 16 - 19 age group, non-white, both sexes	40.3%
c. 16 - 19 age group, white, both sexes	15.4%

The above data was supplied by the Indiana Employment Security Division and is clearly indicative of extremely high unemployment among youth. This data also begs the question: "what can be done to alleviate this epic unemployment?"

EMPLOYERS' NATIONAL JOB SERVICE COMMITTEE

September 1, 1981

Mr. Robert Guttman
Counsel
Senate Employment and
Productivity Subcommittee
4230 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Mr. Guttman:

Attached for submission to the CETA Reauthorization hearings process is a copy of a position paper, "A New Consolidated National Employment and Training System" submitted by the Employers' National Job Service Committee.

It is our pleasure to participate in this process as we represent 22,000 plus employers around the nation who actively work with the present system almost daily. We feel we have a perspective on the system that exists and what we see as a better system for the future for employers and applicants.

Please let me know if we can provide the Subcommittee with any additional information in this regard.

Sincerely,

Richard W. Weber, Chairperson
Employers' National Job Service
Committee

RWW/pjb
Enclosure

DICK WEBER, Chairperson
Manager of Administrative Services
Basin Electric Power Cooperative
1717 E. Interstate Ave.
Bismarck, ND 58501

MS. GLORIA SPANIER, Vice Chairperson
Director of Personnel
Acurex Corporation
485 Clyde Ave.
Mountain View, CA 94042

EMPLOYERS'
NATIONAL
JOB SERVICE
COMMITTEE

POSITION PAPER:

A NEW CONSOLIDATED

NATIONAL EMPLOYMENT AND TRAINING SYSTEM

Submitted By
The Employers' National Job Service Committee

September 4, 1981

CONTENTS

I. INTRODUCTION.....

II. PROPOSED NATIONAL EMPLOYMENT AND TRAINING GOALS.....

III. PROPOSED NATIONAL EMPLOYMENT AND TRAINING POLICY.....

IV. RECOMMENDED ATTRIBUTES OF A CONSOLIDATED EMPLOYMENT AND TRAINING SYSTEM.....

A. ORGANIZATION.....

B. PERFORMANCE.....

C. FUNDING.....

D. FIGURE 1: CONSOLIDATED NATIONAL EMPLOYMENT AND TRAINING MODEL.....

V. RESPONSES TO SOME LEGISLATIVE ISSUES.....

84-241 O—81——11

I. INTRODUCTION

The private sector has been actively involved helping the Job Service to improve its performance since 1971. Employers have demonstrated their support of and commitment to the Job Service through volunteer participation on local, state, regional and national Job Service Employer Committees (JSECs). More than 22,000 employers are now actively involved in 1,040 JSECs throughout the United States. These employers give in excess of 150,000 hours of time each month to help the Job Service improve its delivery and service capability to applicants and employers while helping to reduce unemployment.

A Job Service Employer Committee (JSEC) is a group of employer representatives formed to provide a link between the Job Service and the employer community. JSECs recommend to local Job Service offices changes designed to improve Job Service performance and help reduce unemployment. The objectives of Job Service Employer Committees are

1. to provide formal communication between the Job Service and employers;
2. to encourage employer participation in the Job Service delivery system;
3. to increase Job Service penetration of hiring activities in the private sector;
4. to stimulate cooperation between the private sector and the public sector to develop mutual appreciation of their respective roles; and

5. to improve Job Service productivity in its labor exchange function as a means of reducing unemployment.

The Employers' National Job Service Committee (E.N.J.S.C.) is composed of employer committee chairmen from each of the 50 states and three territories. The Committee meets annually and elects a chairman who serves a two-year term. The policy-making arm of the Committee is a steering committee composed of one employer chairman from each of the ten federal regions, plus several at-large employer representatives appointed by the National Chairman.

The objectives of the Employers' National Job Service Committee are to support local, state and regional Job Service Employer Committees by functioning at the National level to

1. maintain a dialogue with the U.S. Department of Labor and other appropriate agencies, groups and individuals about employer concerns in employment and training;
2. coordinate employer efforts and exchange information; and
3. seek solutions and make recommendations concerning employment and training related problems in need of national attention.

In April, 1981 the Employers' National Job Service Committee presented a brief position paper to Assistant

Secretary of Labor, Employment and Training Administration, Albert Angrisani. The thrust of that paper was to point out the need for a comprehensive national manpower policy under which all employment and training activities are operated. As employers who pay substantial amounts through our FUTA taxes that finance 97 percent of the administrative cost of the Job Service, we feel strongly that we should have a voice in the future direction of national employment and training policy.

This paper is based on discussions held by employer committee representatives around the nation and as a result of discussions of the E.N.J.S.C. Steering Committee. All such discussions were by private sector volunteers who are familiar with the present in-place system, who are active members of J.S.E.C.s, Private Industry Councils, and other local and state employment and training advisory bodies.

We trust that this paper will make a solid contribution to the current dialogue about future employment and training policy and that every consideration will be given to our proposals.

II. PROPOSED NATIONAL EMPLOYMENT AND TRAINING GOALS

We believe a unified public labor exchange is essential to the economic well being of this nation and its diverse society. We also believe that for efficiency and effectiveness, a national labor exchange must have a primary objective that can be generally stated and clearly understood and that is measurable in order to facilitate performance evaluation and to determine the return on investment of the services offered.

Inherent in the national employment and training goals below is the need to prepare and then place individuals either directly into meaningful, unsubsidized jobs or into finite and short duration subsidized employment (OJT) or apprenticeship programs.

Based on current and projected employer needs, national employment and training goals should be to

1. prepare and place unemployed individuals based on their needs and abilities;
2. prepare and place employed individuals facing skills obsolescence and/or employer closures;
3. place employed individuals seeking upgrading and/or change for self-improvement; and
4. efficiently administer temporary income maintenance programs.

III. PROPOSED NATIONAL EMPLOYMENT AND TRAINING POLICY

Based on the goals we have stated for a national employment and training system, we believe that a national system should have as a foundation a national employment and training policy which provides a framework or set of guidelines by which such a system is governed and judged. Among those considerations as components of such a policy are the following:

1. Everyone has a right to avail themselves of public employment and training services. However, when there might be more applicants than training openings, selection for training should be based on need. The evaluation of need should be based on an individual's: (1) earnings during the most recent 12 months, (2) length of time without a steady job and (3) reason for leaving or loosing recent job(s);

2. Those more permanently out of work but able and qualified for existing jobs should be required to take those jobs or face elimination from income maintenance programs. Alien certifications should be drastically curtailed, and permanently unemployed individuals should be strongly "encouraged" to fill existing job openings;

   During periods when there are a significant number of unskilled or "entry-type"

jobs in one or more large geographic areas of the United States, income maintenance programs should be provided only to those who are temporarily out of work or to those who physically cannot work. However, if the number of unskilled or "entry-type" jobs in the country falls below a reasonable minimum level, then income maintenance benefits should be expanded to encompass a broader spectrum of the unemployed;

3. A national employment and training system should not require the selection, training and placement of specific targeted groups to the exclusion of others. Goals for targeted groups (such as minorities, females, disadvantaged, veterans) should be directed by the federal government toward employers, and employers would then request and hire the proper numbers of targeted individuals to fill existing openings;
4. National programs should be designed to support the concept that the primary and secondary schools should provide most of the educational preparation for work and that the work place provides most of the occupation-specific training;
5. Within the framework of a national policy, employment and training programs should be managed primarily at the state and local levels; and

6. Distinctions as to whether jobs exist in the 'public' or the 'private' sector should be eliminated. Both should be treated as employers with a need to hire qualified individuals.

IV. RECOMMENDED ATTRIBUTES OF A CONSOLIDATED EMPLOYMENT AND TRAINING SYSTEM

The upcoming Congressional debate on CETA Reauthorization begs the larger question of what legislative changes and new administrative procedures might also be implemented to restructure, redesign and significantly improve the entire national employment and training program? If significant change to our national employment and training system is under serious consideration, the following concepts are respectfully submitted for consideration as an outline for a new approach to a consolidated national employment and training system.

All of these concepts are illustrated in "Figure 1" on page 13 which is a conceptual model of A Consolidated Employment and Training System.

ORGANIZATION

1. Employment and training operational areas should be identifiable labor market areas. Each such local operational area should
   - A. be under the direction of a single administrator who has authority consistent with responsibility to administer all employment and training programs in that operational area.
   - B. provide a single centralized client intake point where each individual's needs can be accurately assessed.

C. provide a single delivery system to all employers.

D. provide a single point of contact with a given employer when performing employer relations, job development and placement activities. Strong, effective marketing techniques should be implemented to support these activities.

E. devise and incorporate elements and services which are closely coordinated, non-competitive and non-duplicative.

F. be afforded the flexibility to define its own programs which would best serve that area's specific applicant and employer needs, to design and implement required training programs, and to refer qualified people in support of that area's employers' short range AND anticipated long range needs.

G. utilize a single advisory board consisting primarily of employers (both private and public sector) but which may also be comprised of additional representatives from local government, education, labor, economic development and other employment and training and community based organization activities operating in that labor area. This board should have a strong advisory role regarding the development of employment and training policy and the evaluation of all aspects of operational area performance.

H. define and meet specific goals and cost-effective performance requirements, as defined by the state, in support of general national policies and goals.

I. be required to interface effectively and efficiently with community based organizations, economic development, enterprise zones, and vocational education activities, human services groups, and all primary and secondary education and training activities.

2. Reporting and paperwork requirements must be drastically reduced at all levels. A simplified performance reporting system should report results rather than a myriad of unnecessary detail.

3. The employment and training system should not be required to perform enforcement and compliance activities on employers. Any such activities should be the responsibility of other governmental agencies (for example, the Office of Federal Contract Compliance Programs).

PERFORMANCE

1. At every level the cost-effectiveness and overall performance of all programs should be continually measured. Funding should be based, in part, on past performance.

2. FUTA tax funds should continue to be used primarily for placement and temporary income maintenance activities. General funds (with a negotiable percent of state matching funds) should be used primarily for training and employability development activities, although general funds could also be used to provide additional support to placement activities. The requirement for partial matching with state funds should help ensure that cost-effectiveness of the employment and training system would be of strong concern to both the states as well as the federal government.

3. Advisory boards (consisting primarily of employers) should have significant input on matters relating to planning, funding and performance evaluation at the local, state and the national levels.

FUNDING

A funding formula should take into consideration: (1) the need to provide adequate temporary maintenance and to prepare and place currently unemployed persons into existing jobs, (2) the need (in various geographic areas) to train people to meet future job requirements and skills, and (3) the need to provide an incentive for (and to reward) excellent sustained performance.

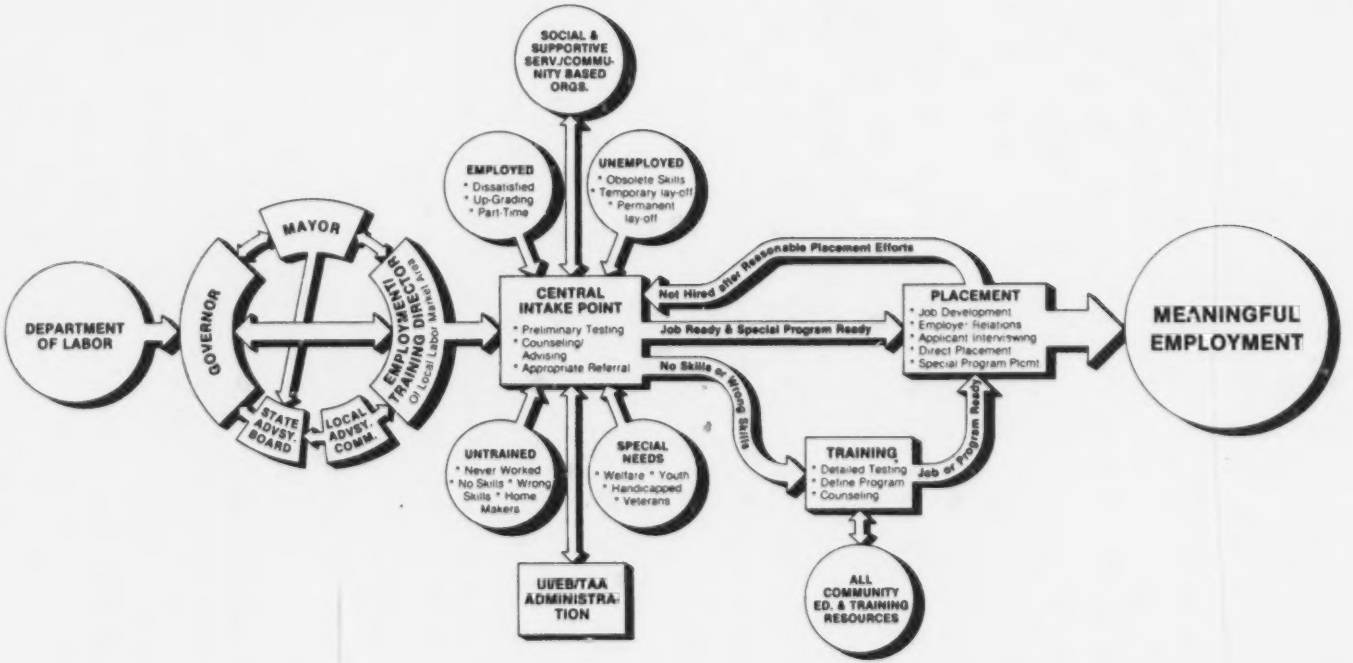
The employment and training system should be funded through dual block grants from the federal level to the

governors of each state. One of these dual grants should consist of FUTA tax dollars which should be used for placement, intake and temporary income maintenance program activities. Funding should be based on a formula incorporating: (1) number of placements, (2) cost per placement, (3) potential for placements in that area, and (4) the unemployment rate. Annual performance criteria would be inherent in the above funding criteria.

The other segment of the dual grant could consist of federal general funds to be used primarily to support education and training activities. These funds, however, could also be able to be used, as necessary, to support intake and placement activities. This grant could also require a variable matching state funding amount based on the percent of students completing 12th grade and the average reading and math test scores of those graduating students in a given state. In other words, the better a given state performs in educating its youth, the lower the level of matching state funds required. This funding to each state could be based on: (1) a formula incorporating the number of unemployed per present and projected long range job openings and (2) a factor to reflect past performance. Performance could be measured by defining training credits (similar to high school or college course credit hours) for each type of training. Accumulated successful training credits performed would then be divided by the total cost, generating an average cost per completed credit.

Figure 1.

Consolidated National Employment & Training Model



V. RESPONSES TO SOME LEGISLATIVE ISSUES

1. What is the appropriate role of the private sector?

First, distinctions between the private and public sectors should be minimized. Reference should be made to employers, private or public, who have jobs to fill. The needs of each are essentially the same; finding or preparing qualified applicants who will perform satisfactorily.

Since employers provide most of the occupation-specific training, it is imperative that employers should be encouraged to continue and expand their training efforts. Tax credit programs (similar to the TJTC program) should be expanded and given a chance to work and have their effectiveness evaluated not only during the recent past recessionary times but also during an expanding economy.

Employers should also play a key advisory role in the operation of the training and delivery system - from planning through evaluation - including program development, goal setting and implementation and program monitoring. Meaningful employer involvement, mutual education and an ongoing dialogue should help to sustain continued improvement in the design and performance of a consolidated employment and training system.

2. What should the federal management responsibilities be?

The federal government should play an auditing and a supportive role: establish a framework within which state

and local entities may operate with flexibility and yet some degree of continuity; assist in communication of broad national objectives; coordinate allocation of resources; reduce federal paperwork and reporting requirements to a minimum; monitor and evaluate performance and evaluate progress toward the broad national goals and objectives.

Maximum responsibility for the management of programs should be at the state and local levels where actual individual community needs are more readily identifiable. States should be held accountable for efficient program performance.

3. What are the economics of employment and training investments?

There are many, many job openings in these United States, and there are also many, many people who are unemployed. It may take a generation or more to improve the school system, to reinstill national pride and the work ethic in many who will be entering the labor market and to turn around the culture of the "now generation."

Reduced unemployment, reduced unemployment compensation payouts, reduced welfare payouts, increased national productivity and reduced crime are ALL possible. All should be used to measure the success of a national employment and training program. Achieving these desired results must be a nation-wide task. The good probability that these goals can be achieved, in time, justifies continued efforts to redesign and improve our national employment and training system.

Senator HAWKINS. This hearing is adjourned.
[Whereupon, the subcommittee was adjourned at 12:35 p.m.]

○